UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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IN RE LEHMAN BROTHERS SECURITIES AND ERISA LITIGATION	Civil Action No. 09 MD 2017 (LAK)
	ECF Case
This Document Applies To:	
In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK)	

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EXPERT REPORT AND DECLARATION OF WALTER N. TOROUS, PH.D.

APRIL 4, 2012

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I, Walter N. Torous, pursuant to 28 U.S.C. § 1746, declare as follows:

I. QUALIFICATIONS

1. I am the Lee and Seymour Graff Endowed Professor at the UCLA Anderson School of Management. I am the Founding Director of the Richard S. Ziman Real Estate Center at the Anderson School. Previously, I have been on the faculty at the University of Michigan, the London Business School, and the Massachusetts Institute of Technology ("MIT"). I received my Ph.D. in economics from the University of Pennsylvania in 1981.

2. My areas of research include fixed income securities and derivative instruments as well as real estate markets, the behavior of interest rates, the pricing of risk, and financial distress. I teach courses in securitization and managerial finance at the master's level and empirical methods in finance at the doctoral level, and I have also taught undergraduate finance courses. I currently serve as the Editor of *Real Estate Economics*, the official publication of the American Real Estate and Urban Economics Association, and I am the Associate Editor of a number of academic journals, including the *Journal of Housing Economics* and the *Journal of Real Estate Finance and Economics*.

3. I have published peer-reviewed articles on the pricing of a variety of financial instruments including options, futures, corporate debt, and mortgage related securities. I have spoken at numerous academic and business conferences about my research.

4. My curriculum vitae, which includes a list of my publications, as well as my testimony in the past four years, is attached as Appendix A to this report.

II. CASE BACKGROUND

5. Plaintiffs seek class treatment for all persons who bought or otherwise acquired any one of 31 Lehman Brothers-issued structured products sold by UBS Financial Services Inc. ("At-Issue Securities").[1,2] Plaintiffs allege claims under Section 11 and Section 12(a)(2) of the Securities Act of 1933 for all of the At-Issue Securities.

6. The initial offerings for the At-Issue Securities occurred over the fifteen calendar months between April 2007 and June 2008. The "Evaluation Period" spans the initial offering, on April 30, 2007, to the Lehman Brothers' filing for bankruptcy on September 15, 2008. Each At-Issue Security is senior unsecured debt of Lehman Brothers and each At-Issue Security is a separately traded security with its own terms and conditions, CUSIP identifier, payoff structure, and risk profile.

7. For twenty-seven of the thirty-one At-Issue Securities, Plaintiffs allege that the offering documents contained false and misleading statements regarding "principal protection."[3] In addition, for all of the At-Issue Securities, Plaintiffs allege that the offering documents contained false and misleading statements related to Lehman Brothers regarding: (1) Repo 105 and its effect on leverage, (2) risk management practices including its compliance with risk limits and use of stress tests, and (3) concentrations of credit risk, including commercial real estate and Alt-A residential mortgage assets.[4]

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[1] Memorandum of Law in Support of The Structured Product Plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Class Counsel, February 3, 2012, p. 3.
[2] I understand that plaintiffs initially moved to certify a class of purchasers for 32 structured products, but the Court has subsequently ruled that purchasers of one of these structured products, CUSIP 52522L491, do not have standing to pursue their claims. I have been instructed not to consider this security in my analysis.
[3] Memorandum of Law in Support of The Structured Product Plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Class Counsel, February 3, 2012, pp. 3-5.
[4] Memorandum of Law in Support of The Structured Product Plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Class Counsel, February 3, 2012, pp. 6-8. I understand that only offering documents for At-Issue Securities that incorporated Lehman Brothers' SEC filings after February 20, 2008 are alleged to have false and misleading statements with respect to concentration of credit risk in Lehman Brothers' Alt-

III. ASSIGNMENT

8. I have been engaged to:

- Provide an overview of structured notes of the type included in the At-Issue Securities, including a description of the market for structured note products in the United States, and a general description of the understanding of market participants of the characteristics and risks of structured notes.
- Address matters concerning the knowledge of investors regarding alleged misstatements and omissions.

9. In working on this assignment, I have relied on the documents and data listed in Appendix B.[5] I reserve the right to supplement my opinion should additional information become available. I am being compensated in this matter at a rate of $675 per hour. In connection with this assignment, employees of Analysis Group, Inc. have worked under my supervision and direction to assist me, and I receive compensation based on their fees. My compensation is not contingent on the outcome of this case.

IV. SUMMARY OF OPINIONS

10. Based on my research, experience, and assessment of the data and information available to me, I have formed the following opinions in this matter:

- The At-Issue Securities are part of a class of securities called "structured notes" (See Section V) and the At-Issue Securities are similar in nature to securities issued by other issuers of structured notes during the Evaluation Period. (See Section VI.A)
- Issuer credit risk language in the offering materials of the At-Issue Securities with principal protection is similar to the language in offering materials prepared by other issuers of principal protected notes during the Evaluation Period. (See Section VI.B)
- Investors in the At-Issue Securities had different levels of knowledge of the alleged misstatements and a different mix of information based on the timing of their purchases. (See Section VII.A and VII.B)

A holdings**.** I further understand that only offering documents for At-Issue Securities that incorporated Lehman Brothers' 2007 Form 10-K but were issued prior to the filing of Lehman Brothers' Form 10-Q for the first quarter of 2008 are alleged to have false and misleading statements with respect to concentration of credit risk in Lehman Brothers' commercial real estate holdings. Motion to Dismiss Opinion, July 27, 2011, pp. 51-55.

[5] In a section below, I discuss some of the main documents and data sources I rely upon in more detail.

- The materiality of the alleged misstatements will differ across investors depending on the mix of information available to them when they purchased the At-Issue Securities. (See Section VII.C)
- The prices of the At-Issue Securities with principal protection reflected the risk of the issuer (Lehman Brothers) defaulting. This indicates that the market as a whole and therefore many investors were not misled by the principal protection disclosures in the offering documents. (See Section IX)
- Investors in the At-Issue Securities reported different levels of net worth and annual income and therefore likely had varying levels of sophistication and understanding of structured products. (See Section X.A)
- Using the SEC's definition of accredited investors as a proxy for investor sophistication, more than 40 percent of the investors in the At-Issue Securities were sophisticated. (See Section X.B)

11. In the following sections, I expand upon the opinions summarized above and provide the bases for them. My work is ongoing and, as noted above, I reserve the right to supplement my analysis and opinions should additional information become available to me.

V. OVERVIEW OF STRUCTURED NOTES

12. The At-Issue Securities are part of a category of financial products commonly referred to as structured notes or structured products. Structured products evolved from equity-linked financial products, which were first issued in the 1980s.[6] The term "structured products" refers to a broad category of financial products that have varying objectives. Structured products are derivative products that consist of an embedded fixed income security and an embedded derivative whose value is linked to a single security, commodity, currency, or interest rate, or a basket, index, or group of indices of such securities, commodities, currencies, or interest rates.[7]

[6] Henderson, Brian, and Neil Pearson, "Patterns in the Payoffs of Structured Equity Derivatives," October 7, 2007, p. 5.

[7] The SEC defines structured products as "securities whose cash flow characteristics depend upon one or more indices or that have embedded forwards or options or securities where an investor's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indices, interest rates or cash flows." See U.S. Securities and Exchange Commission (SEC) Rule 434.

13. Structured products have been sold to U.S. retail investors by major U.S. banks and financial institutions since at least the mid 2000s.[8] In 2007, more than 6,200 individual structured products with an aggregate face value of $33.2 billion were issued.[9] Thus the At-Issue Securities are a small part of a large market that existed prior to the Evaluation Period.[10]

A. Description of Principal Protected Notes ("PPNs")

14. PPNs or "structured notes with principal protection," are one common type of structured product whose payoffs to investors typically resemble those of a combination of 1) a zero coupon bond and 2) an option or other derivative products whose payoffs are linked to an underlying index.[11,12] The value of a PPN can be thought of as the sum of these two components.[13] As can be seen with the At-Issue PPNs, the index to which the option component is linked can vary widely from U.S. market benchmarks, like the S&P 500, to foreign equity indices, currencies, commodities, spreads between interest rates or baskets of various asset types.[14,15] Terms of PPNs also "vary greatly depending on the underlying asset, amount of protection offered, maturity, and minimum or maximum return payouts provided."[16]

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[8] "Structured Products In the Aftermath of Lehman Brothers," Securities Litigation & Consulting Group, Inc., 2009.
[9] "Sliced & Diced: A Taste of Structured Investments," *The Finance Professionals' Post*, April 26, 2011.
[10] At-Issue Securities with a face value of $381 million were issued in 2007.
[11] A zero coupon bond is a bond that pays no periodic interest payments and returns its face value upon maturity.
[12] The "principal protection" feature of a PPN indicates the minimum amount of principal an investor will receive at maturity from the issuer of a PPN regardless of how the "linked option or other derivative products" perform. However, as discussed below, an investor's receipt of this minimum amount is subject to the issuer's ability to repay proceeds at maturity.
[13] Of the 31 At-Issue Securities, 27 offered some level of principal protection. Of these 27 products, 21 had payoffs that resemble an embedded zero coupon bond and six paid quarterly interest based on the difference in the 30-year and 2-year swap rates, so the payoff for those six At-Issue Securities more resembled interest paying bonds.
[14] Pricing Supplements of At-Issue Securities.
[15] "Structured Notes with Principal Protection: Note the Terms of Your Investment," U.S. Securities and Exchange Commission, June 2, 2011, available at http://www.sec.gov/investor/alerts/structurednotes.htm, accessed on December 19, 2011.
[16] JPMorgan, "JPMorgan Structured Investments Solution Series, Volume 1.0 – Principal Protected Solutions," 2005, p. 2.

15. PPNs are designed to be held to maturity and have limited liquidity. A PPN investor does not receive the note's principal protection if he or she sells prior to maturity. A PPN investor who sells prior to maturity receives the market value of the note which may be above or below the principal of the note.[17]

16. PPNs are typically the debt of the issuer, and are disclosed as such in their offering materials, including prospectuses and pricing supplements.[18] Offering materials for PPNs issued during 2007 and 2008 by several major U.S. banks describe these notes as debt of the issuer. For example, Morgan Stanley and JP Morgan specified that the PPNs they offered are "senior unsecured obligations" of each of the banks, respectively.[19] A Bank of America offering document states, "[t]he [principal protected] notes are senior debt securities issued by Bank of America Corporation, and are not secured by collateral."[20] Similarly, the offering documents of the At-Issue Securities state that, "The notes are the senior unsecured obligations of Lehman Brothers Holdings Inc."[21] and/or "The notes are senior debt securities."[22]

17. Because a PPN is a debt obligation of the issuer, the note is exposed to the issuer's credit risk. In other words, the payoff of the investment depends on the issuer's ability to repay

[17] The market value of a PPN would be greater than the principal of the note for example if the option component of the note is more valuable upon sale of the note than it was upon the note's inception.
[18] Many pricing supplements that I reviewed contained issuer debt language, while the pricing supplements of the At-Issue Securities all referenced a product and/or a prospectus supplement that included the debt language.
[19] See, e.g., Morgan Stanley Pricing Supplement No. 429 dated November 8, 2007; JP Morgan Pricing Supplement No. 1297 dated May 27, 2008 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 135-I dated May 1, 2008, PS-1.
[20] See, e.g., Bank of America Pricing Supplement No. 429 dated November 26, 2007 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004, p. PS-3.
[21] See, e.g., Lehman Brothers Holdings Inc. Product Supplement No. 550-I dated November 27, 2007.
[22] Lehman Brothers Holdings Inc. Prospectus Supplement dated May 30, 2006 to Prospectus dated May 30, 2006.

the proceeds at maturity.[23] Before and during the Evaluation Period, the following descriptions from various public domain sources demonstrate that the market generally understood that structured products were subject to the credit risks of the underlying issuer of the notes:

(1) "The promises of [a PPN] are backed by an investment bank, and the entire investment could be lost [if] the bank goes out of business."[24]
(2) "The investor is exposed to the financial viability of the financial institution providing the guarantee."[25]
(3) "[B]ecause the investors are potentially exposed to the issuer's credit risk…issuer's ratings are a crucial consideration."[26]
(4) "Your direct credit risk [in a PPN] is limited to the financial well being of the issuer."[27]

B. Market for Structured Products

18. The global market for structured products is estimated to be in the hundreds of billions to trillion dollar range and growing.[28] The precise market size is difficult to determine due to differences in definitions of structured products across sources and the prevalence of over-the-counter trading. However, the data sources that do exist agree on the order of magnitude of the market size. Structured products have been prevalent in Europe, with gross sales reaching over $160 billion in 2005.[29] For the same period, gross sales in the U.S. were approximately $70 billion.[30]

[23] Lowes, Ian, "Structured Products – A Further Introduction," July 1, 2011, available at http://structuredproducts.org/education/ian-lowes-a-further-introduction-to-structured-products/, accessed on January 11, 2012, p. 3.
[24] Messerschmitt, David G., "Creating You Own Principal Protected Security," June 2007, p. 1.
[25] "Executive Summary—Principal Protected Notes," *Absolute Return Strategies*, AIAS Group, November 2005, p. 2.
[26] Troyanovsky, Serge, "Protect against the downside: Clients want to preserve invested capital and enjoy full participation," *On Wall Street*, January 1, 2008.
[27] "Structured Investments Solution Series Volume I: Principal Protected Investments," JP Morgan Structured Investments, Autumn 2007, p. 3.
[28] Wasik, John, "An Investment for the Experienced," *The New York Times*, October 21, 2010.
[29] Bethel, Jennifer and Allen Ferrell, "Policy Issues Raised by Structured Products," *Harvard Law School John M. Olin Center for Law, Economics and Business Discussion Paper Series,* Paper 560, p. 4.
[30] Bethel, Jennifer and Allen Ferrell, "Policy Issues Raised by Structured Products," *Harvard Law School John M. Olin Center for Law, Economics and Business Discussion Paper Series,* Paper 560, p. 4.

19. One data source estimates that in the U.S. in 2007, a total of $53.6 billion of structured products were issued across 5,951 offerings, followed by a total of $60.4 billion of structured products issued across 6,446 offerings in 2008.[31] According to StructuredRetailProducts.com, the U.S. retail market increased from an issued amount of $33.2 billion across more than 6,200 offerings in 2007 to $37.6 billion in 2008 across more than 7,000 offerings.[32]

20. In 2008, Morgan Stanley issued the most structured products in the U.S., $9.4 billion worth of products.[33] From January to June of 2008, Citigroup sold $1.6 billion in structured notes.[34] Lehman Brothers sold more than $900 million worth of retail structured products between January and September of 2008 (including some of the PPNs at issue in this case), ranking Lehman Brothers among the top 10 U.S. issuers of such products at that time.[35]

C. Market for PPNs

21. Principal protected notes constitute a significant portion of the larger structured products market. The market for PPNs experienced significant growth since 2000, and "PPNs have historically [as of 2004] been the best selling category of Structured Investments in the United States."[36] As of August 2004, there were at least $20 billion of principal protected

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[31] Data obtained from representative of www.prospectnews.com.
[32] "Sliced & Diced: A Taste of Structured Investments," *The Finance Professionals' Post*, April 26, 2011. Structuredretailproducts.com also reports that the level of issuances declined slightly in 2009 to $33.9 billion, but then increased to over $55 billion in 2010 and was expected to be even higher in 2011 although much of the growth was in products that had FDIC insurance. See Faux, Zeke, "Bank of America Leads Sales of Structured Notes in What May Be Record Year," *Bloomberg*, July 16, 2010 and "US 2011 sales set to surpass 2010 levels" *SRPMagazine*, Issue 44 December 2011, p. 10.
[33] Faux, Zeke, "U.S. Structured-Note Sales Surge to $38.4 Billion to Break Record of 2008," *Bloomberg*, October 15, 2010.
[34] Moore, Michael J., "Citigroup Sells 'Principal-Protected' Notes That Burned UBS," *Bloomberg*, June 12, 2009.
[35] Laise, Eleanor, "Another 'Safe' Bet Leaves Many Burned," *The Wall Street Journal*, November 11, 2008.
[36] JPMorgan, "JPMorgan Structured Investments Solution Series, Volume 1.0 – Principal Protected Solutions," 2005, p. 1.

notes outstanding.[37] By 2007, approximately 33 percent of structured notes issued in the U.S. promised full or partial principal protection.[38] According to a 2009 FINRA regulatory notice, "[t]he retail market for…PPNs [had] grown in recent years, in part because they are often marketed as combining the relative safety of bonds with a potential for growth not available with traditional fixed income products."[39]

22. Some of the major issuers of PPNs in the U.S. market during 2007 and 2008 include: Citigroup, Deutsche Bank, JP Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley, and UBS.[40]

VI. DESCRIPTION OF THE AT-ISSUE SECURITIES

23. As discussed below, the At-Issue Securities were similar in nature to structured products offered by other issuers during the Evaluation Period. The differences in time to maturity, principal protection, underlying index exposure, and range of potential payoffs across the different At-Issue Securities would likely appeal to different types of investors, with varying investment objectives, risk appetites, and expectations.

24. Furthermore, the At-Issue Securities had different levels of disclosure in their offering materials with respect to principal protection and issuer credit risk, and these disclosures were similar to those found in the offering materials of other issuers during the Evaluation Period. As the Court has already ruled in this matter, the "careful and intelligent reader"

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[37] "Executive Summary—Principal Protected Notes," *Absolute Return Strategies*, AIAS Group, November 2005, p. 1, citing Fitch Ratings, Principal Protection Strategies for Alternative Investments, August 2004.
[38] Byrne, John Aidan, "'Principal Protected' Products Weren't," *Penton Media, Inc*., November 1, 2008, available at http://www.registeredrep.com/advisorland/compliance/finance_principal_protected_1101/index.html, accessed on December 29, 2011; Moore, Michael J., "Citigroup Sells 'Principal-Protected' Notes That Burned UBS," *Bloomberg*, June 12, 2009.
[39] "Principal-Protected Notes," Regulatory Notice, FINRA, December 2009, p. 1.
[40] Mtn-i, Global Structured Note, Private Placement and MTN Market Coverage, available at http://globalmtn-i.com/, accessed on January 24, 2012.

would not have been misled about the principal protection disclosures.[41] Therefore, purchasers of Lehman Brothers PPNs are likely to have had different understandings of the principal protection aspects of the At-Issue Securities, based on the disclosures in the offering materials and the degree to which they reviewed the offering materials.[42]

A. Characteristics of At-Issue Securities

25. The 31 At-Issue Securities were issued between April 30, 2007 and June 30, 2008. The At-Issue Securities differ in terms of size of the offering, time to maturity, amount of principal protection, option component, and associated risk profile.[43] The aggregate face value of the At-Issue Securities at the offering dates was $687.6 million. As of August 2011, the outstanding face value of the At-Issue Securities was $639.1 million.[44] The largest single issuance was $77.7 million (CUSIP 52522L525) while the smallest was $4.0 million (CUSIP 52523J255). The time to maturity for the At-Issue Securities ranged from one year (see, e.g., CUSIP 52523J248) to 15 years (see, e.g., CUSIP 52517P5K3). Of the At-Issue Securities, 23 had times to maturity of three years or less, two notes had times to maturity of four years, and six notes had times to maturity of 15 years.[45]

26. Of the 31 At-Issue Securities, 19 offered 100 percent principal protection, eight offered partial principal protection, two offered only "contingent" protection, and two offered no

[41] Motion to Dismiss Opinion, July 27, 2011, p. 97.
[42] In a later section to this report, I discuss the different levels of sophistication among investors in the At-Issue Securities.
[43] As discussed above, the option component of a structured product is a portion of the security linked to an underlying financial index such as a market index or an exchange rate.
[44] "List of Each Structured Security by Issuer and the Corresponding Proposed Allowed Claim Amount," available on case information tab located on http://chapter11.epiqsystems.com/LBH/Project/default.aspx, accessed on March 13, 2012.
[45] In general, structured products with different times to maturity will appeal to individual investors based on their individual investment requirements; all things equal, investors in securities with long times to maturity have higher tolerance for risk than investors in securities with short times to maturity.

protection. Figure 1 shows the At-Issue Securities by type (100% PPN, Partial PPN, Contingent, No Protection).

Figure 1: At-Issue Securities by Type of Principal Protection[46]

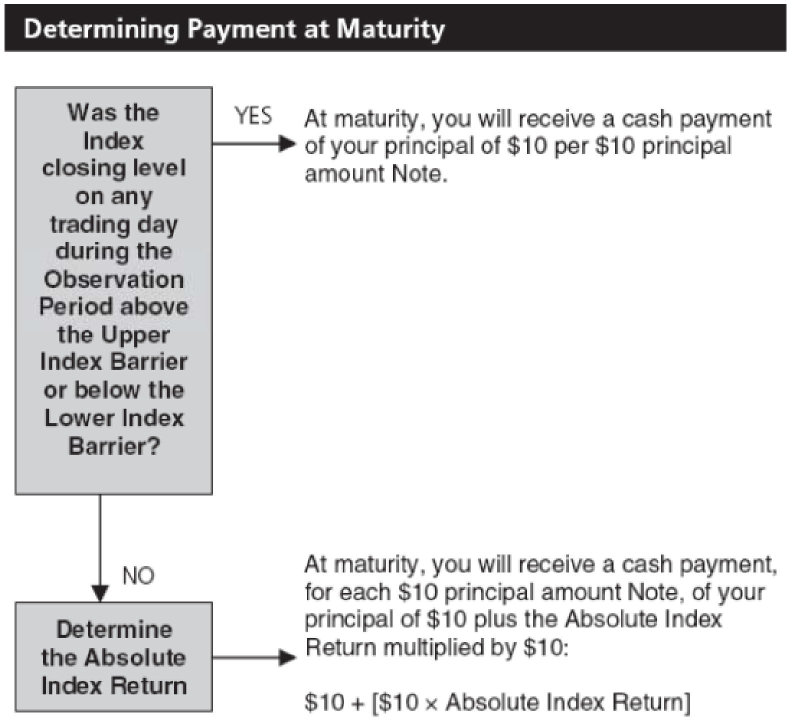
Type of Principal Protection	Number of At-Issue Securities	Face Value Issued
100%	19	$403,959,140
Partial	8	$163,124,020
Contingent	2	$55,867,070
None	2	$64,690,560

1. *At-Issue Securities with 100 percent principal protection*

27. The 100 percent PPNs varied in terms of their "option portion." Of the 19 At-Issue Securities that offered 100 percent principal protection, the payoff at maturity of six notes was tied to the difference between 30-year and 2-year swap rate spreads,[47] five notes were tied to baskets of Asian currencies, and eight notes were tied to the performance of a U.S. or global stock index.[48] Figure 2 is an example of how payment is determined for one At-Issue 100 percent PPN (CUSIP 52522L293) at maturity, ignoring any issues concerning Lehman Brothers' credit risk.

[46] Pricing Supplements for At-Issue Securities.
[47] These notes tied to the difference in the 30-year and 2-year swap rates differed from the other At-Issue Securities because they paid quarterly interest. The other At-Issue Securities did not provide any income until maturity. In addition, these six notes were priced at $1,000 per note whereas the other At-Issue Securities were priced at $10 per note, and they had times to maturity of 15 years whereas the other At-Issue Securities with 100 percent principal protection had times to maturity of between one and four years.
[48] The stock indexes included S&P 500, Russell 2000, and two global baskets (1) S&P 500, Euro Stoxx 50, and Nikkei 225; and (2) Euro Stoxx 50, FTSE 100, Nikkei 225, Swiss Market Index, S&P/ASX 200, and MSCI Emerging Markets.

Figure 2: Determining Payment at Maturity for CUSIP 52522L293[49]



28. The note reflected in Figure 2 is linked to the return of the S&P 500 Index with upper and lower return barriers.[50]

29. Other issuers offered notes similar to the At-Issue Securities with 100 Percent Principal Protection during the Evaluation Period. For example, JP Morgan issued "Principal Protected Notes Linked to the Performance of a Weighted Basket of Four Currencies

[49] Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated October 26, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated December 12, 2006 and Product Supplement No. 550-I dated September 21, 2007, p. 3.

[50] For CUSIP 52522L293, the Absolute Index Return is tied to the performance of the S&P 500. If the S&P 500 closes within the Lower Index Barrier (-26.7 percent from S&P 500 on the trade date) and the Upper Index Barrier (+26.7 percent from S&P 500 on the trade date) on every trading day prior to maturity, the purchaser receives $10 + [10 x Absolute Index Return] (per $10 in principal) at maturity. Otherwise the purchaser receives $10 (per $10 in principal) at maturity.

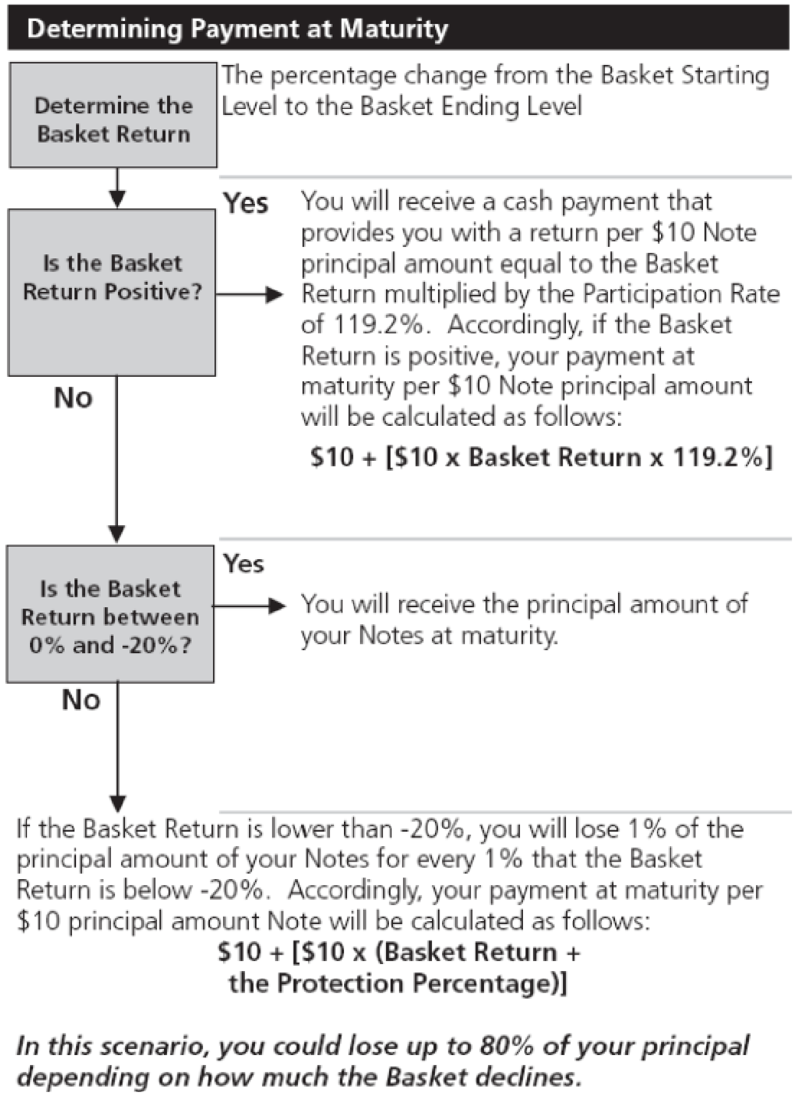
Relative to the U.S. Dollar" notes on May 24, 2007[51] and Merrill Lynch issued "Market Index Target-Term Securities" notes on August 2, 2007.[52]

2. *At-Issue Securities with partial principal protection*

30. Eight At-Issue Securities offered partial principal protection, ranging from 10-20 percent protection of principal. These At-Issue Securities were linked to one or more of seven different stock indexes,[53] had maturities of three years or less, and were priced at $10 per note. Figure 3 shows an example of how payment is determined for one At-Issue 20 percent principal protected note (CUSIP 52520W515) at maturity, ignoring any issues concerning Lehman Brothers' credit risk.

[51] JP Morgan Pricing Supplement no. 472 dated May 24, 2007 to prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement no. 49–II dated March 7, 2007.
[52] Merrill Lynch & Co, Inc. Term Sheet No. 2810 dated August 2, 2007.
[53] The stock indexes included S&P 500, S&P 500 Financials, MSCI Emerging Markets, and two global baskets (1) S&P 500, Euro Stoxx 50, and Nikkei 225, (2) S&P 500, MSCI Emerging Markets, Nasdaq-100, Euro Stoxx 50, and MSCI United Kingdom.

Figure 3: Determining Payment at Maturity for CUSIP 52520W515[54]



31. The note reflected in Figure 3 is linked to three indexes: the S&P 500, the Dow Jones Euro Stoxx 50 and the Nikkei 225, each weighted at 33 percent to make up the "Basket."[55] Ignoring any issues concerning issuer credit risk, an investor could lose up to 80 percent of

[54] Lehman Brothers Holdings Inc. Pricing Supplement No. 3 dated April 24, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Product Supplement No. 190-I dated March 7, 2007 and Underlying Supplement No. 720 dated March 7, 2007, p. 3.

[55] The precise basket weights are 33.34 percent for the S&P 500 and 33.33 percent for the Dow Jones Euro Stoxx 50 and the Nikkei 225.

his or her principal depending on how much the Basket declines and has no ceiling on returns if the Basket Return is positive.[56]

32. Other issuers offered notes similar to the At-Issue Securities with partial principal protection during the Evaluation Period. JP Morgan issued the "90% Principal Protected Notes Linked to the S&P GSCI Agriculture Index Excess Return," offering 90 percent principal protection, on January 31, 2008.[57] On July 28, 2008, UBS issued "Return Optimization Securities with Partial Protection," which offer 10 percent principal protection.[58] HSBC issued partially protected notes, the "Buffered Enhanced Market Participation Note Linked to the Financial Select Sector SPDR Fund" on August 29, 2008 which offer 10 percent principal protection.[59]

3. *At-Issue Securities with contingent principal protection*[60]

33. Two At-Issue Securities offered "contingent" principal protection, and their offering documents included the following disclosure:

> "Contingent Principal Protection—If the Notes are not called, at maturity the contingent principal protection feature protects your principal if the closing price of one share of the Index Fund was not above the Trigger Price on any trading day during the Observation Period."[61]

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[56] The Basket Starting Level is set to 100 on the Trade Date of the note. If the Basket Return is positive at maturity, the investor receives his or her principal of $10, plus $10 multiplied by the Basket Return multiplied by the Participation Rate of 119.2 percent. If the Basket return is between 0 percent and -20 percent, the investor receives his or her principal at maturity. If the Basket return is less than -20 percent, the investor loses 1 percent of the principal amount for every 1 percent that the Basket return is below -20 percent.
[57] JP Morgan Pricing Supplement No. 985 dated January 31, 2008 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Prospectus Supplement No. 94-I dated August 17, 2007.
[58] UBS Pricing Supplement dated July 28, 2008 to Prospectus dated March 27, 2006 and Prospectus Supplement dated March 28, 2008.
[59] HSBC Pricing Supplement dated August 28, 2008 to Prospectus dated April 5, 2006, Prospectus Supplement dated October 12, 2007 and Prospectus Addendum dated December 12, 2007.
[60] Plaintiffs do not allege that the offering documents for these two securities contained misstatements with respect to principal protection.
[61] See, e.g., Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated March 26, 2008 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1200 dated March 10, 2008 and Product Supplement No. 1040-I dated March 13, 2008. In contrast, the language in the pricing supplement to

In other words, in certain circumstances (if the value of the underlying index does not breach a threshold value) an investor would receive principal protection, but in other circumstances he or she would not. One contingent At-Issue Security was linked to the S&P 500 Financials Index and the other was linked to an energy-sector Exchange Traded Fund ("ETF").[62] Figure 4 shows an example of how payment is determined for one At-Issue note with contingent principal protection (CUSIP 52522L657) at maturity, ignoring any issues concerning Lehman Brothers' credit risk.

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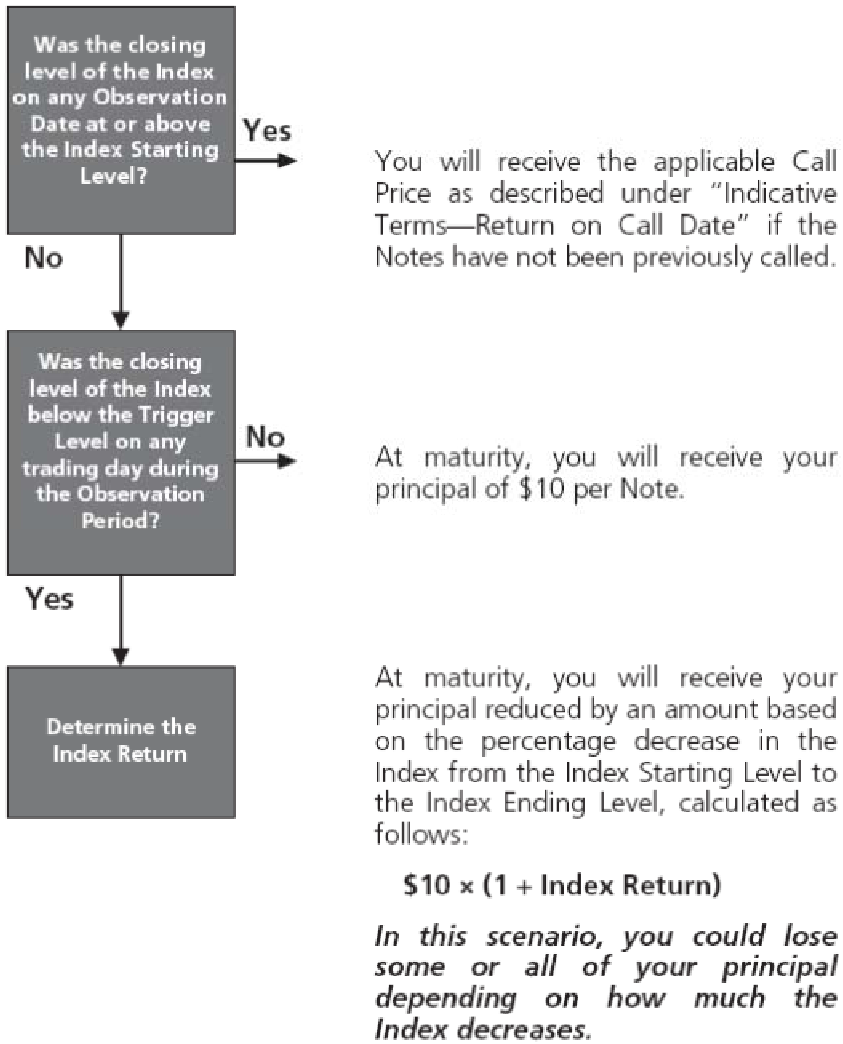
the other At-Issue Security offering "contingent" principal protection states that the contingent principal protection feature is in effect if a share of the underlying index does not close below a threshold price. (Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated February 5, 2008 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated January 28, 2008 and Product Supplement No. 720-I dated January 28, 2008.)

[62] ETFs are investment products that track an index and trade like a stock on an exchange. ("About ETFs," available at http://www.bloomberg.com/markets/etfs/etf_about.html, accessed on February 20, 2012.)

Figure 4: Determining Payment at Maturity for CUSIP 52522L657[63]



34. The note reflected in Figure 4 is linked to the S&P 500 Financials Index and offers a set annualized return if the index is above the starting level on any of the quarterly observation dates. At maturity, if the index value is less than the starting point but above a set price, the investor receives his or her principal. Below the set price, the investor loses proportionally to the index loss.

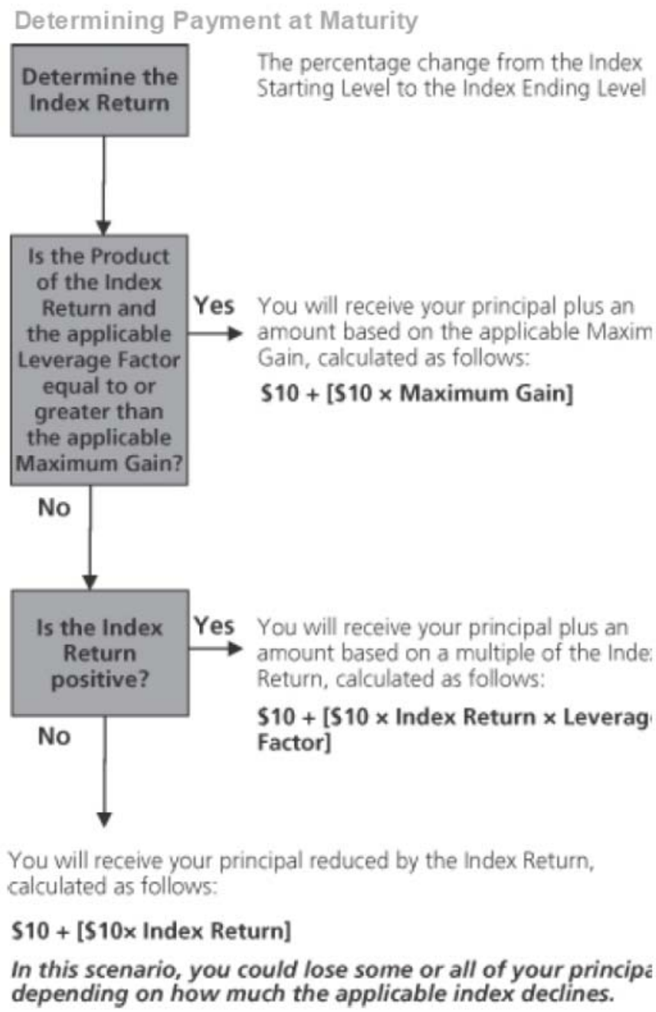
[63] Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated February 5, 2008 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated January 28, 2008 and Product Supplement No. 720-I dated January 28, 2008, p. 3.

4. ***At-Issue Securities with no principal protection***

35. Two At-Issue Securities had no principal protection, meaning that holders: "may lose the entire principal amount of [their] investment."[64] Both notes were priced at $10, issued on the same day (October 31, 2007) with a one and a half year maturity, and were linked to either the S&P 500 or the Nasdaq-100. Figure 5 is the payoff scenario for one of the At-Issue Securities with no principal protection (52522L335), ignoring any issues concerning Lehman Brothers' credit risk.

[64] See, e.g., Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated October 26, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 120 dated July 16, 2007, Underlying Supplement No. 100 dated December 12, 2006, Underlying Supplement No. 940 dated September 21, 2007, Underlying Supplement No. 160 dated January 11, 2007 and Product Supplement No. 780-I dated September 21, 2007.

Figure 5: Determining Payment at Maturity for CUSIP 52522L335[65]



36. The note reflected in Figure 5 is linked to the return of the S&P 500 Index. If the S&P 500 Index return is positive at maturity, the investor receives a leverage factor of 3x the S&P 500 Index return, up to a maximum gain of 25 percent. Alternatively, an investor in this security could lose 100 percent of his or her investment.

[65] Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated October 26, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 120 dated July 16, 2007, Underlying Supplement No. 100 dated December 12, 2006, Underlying Supplement No. 940 dated September 21, 2007, Underlying Supplement No. 160 dated January 11, 2007, and Product Supplement No. 780-I dated September 21, 2007, p. 3.

37. In sum, and as reflected in paragraphs 25 through 36 above, the At-Issue Securities are similar in nature to securities offered by other issuers during the Evaluation Period; the differences in time to maturity, principal protection, underlying index exposure, and associated range of potential payoffs across the different At-Issue Securities would have led different investors to purchase different Lehman Brothers' PPNs that matched their specific investment objectives, risk profiles, and expectations. Each security has unique risks and return profiles that would appeal to different types of investors. For example, an investor with a partially protected At-Issue Security that had lost value due to poor performance of the underlying indexes may have less sensitivity to Lehman Brothers' issuer credit risk than an investor in an At-Issue Security with 100 percent principal protection because their investment depends less on Lehman Brothers' ability to repay the principal protection than on the performance of the underlying index. Alternatively, an investor who purchased a PPN maturing in one and a half years may have less sensitivity to Lehman Brothers' issuer credit risk than an investor in an At-Issue security with a maturity date in 15 years because default risk increases the longer the maturity horizon.

B. Issuer Credit Risk Disclosure Language for the At-Issue Securities was Similar to Language Used by Other Issuers

38. An examination of the issuer credit risk disclosure language contained in the offering documents for the At-Issue Securities demonstrates that Lehman Brothers used issuer credit risk disclosure language in a manner consistent with other PPN issuers.

39. As discussed above, other issuers issued PPNs similar to the At-Issue Securities during the Evaluation Period. As I discuss below, the offering documents for At-Issue Securities, including those with principal protection, contain similar issuer credit risk disclosure

language to those of PPNs issued by other issuers during the Evaluation Period.[66] A review of the offering documents for a sample of PPNs sold by issuers other than Lehman Brothers in 2007 and 2008 shows that these offering documents contained issuer credit risk disclosure language similar to the language in the offering documents to At-Issue Securities.[67]

40. Within the "Risk Factors" section of the pricing supplements for the At-Issue Securities as well as other PPNs, issuer credit risk was mentioned in a separate clause or among a list of factors that affect the note's value.[68] Exhibit 1 provides a summary of the types of issuer credit risks disclosed in the "Risk Factors" section of pricing supplements for 100 percent PPNs issued by banks before and after October 2007.[69] Full excerpts of the issuer credit risk disclosures from pricing supplements of PPN issuers are presented in Exhibit 2. Prior to

[66] For example, see PPNs issued by Morgan Stanley, Bank of America, Deutsche Bank, and JP Morgan. The pricing supplements to PPNs issued by JP Morgan and Deutsche Bank that I reviewed contain additional disclosure language, outside of the Risk Factors section, that the pricing supplements to PPNs issued by others do not contain. Specifically, JP Morgan pricing supplements under "Selected Purchase Considerations," a clause titled "Preservation of Capital at Maturity" states: "You will receive at least 100% of the principal amount of your notes if you hold the notes to maturity, regardless of the performance of the Index. Because the notes are our senior unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due." (See, e.g., JP Morgan Pricing Supplement No. 419 dated April 25, 2007 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 14-II dated December 21, 2006, p. PS-1.)
[67] For example, see PPNs issued by JP Morgan, Morgan Stanley, and Bank of America.
[68] Some of the pricing supplements for the At-Issue PPNs do not directly contain disclosures related to issuer credit risk, but they reference a prospectus supplement that discloses issuer credit risk. For example, the prospectus supplement for all At-Issue PPNs stated that:

> "The notes will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the notes. … we will be dependent on dividends and other distributions or loans from our subsidiaries to generate the funds necessary to meet obligations with respect [to] the notes, including the payment of principal and interest. . . . If these sources are not adequate, we may be unable to make payments of principal or interest in respect of the notes and you could lose all or a part of your investment."

(See e.g., Lehman Brothers Holdings Inc. Prospectus Supplement dated May 30, 2006 to Prospectus dated May 30, 2006, p. S-7.)

[69] The Plaintiffs contend that Lehman Brothers' PPN pricing supplements disseminated before October 2007 did not contain any issuer credit risk disclosures in the "Key Risks" section. See Third Amended Class Action Complaint For Violations of the Federal Securities Law, *In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK),* April 23, 2010, p. 40. However, as shown in Exhibit 1, many of the "Key Risks" sections of the pricing supplements for the At-Issue PPNs issued prior to October 2007 contained issuer credit risk disclosures.

October 2007, the majority of the At-Issue Securities mentioned the creditworthiness of the issuer within a list of factors affecting the note's value. The following is an example of a credit risk disclosure in an At-Issue Security prior to October 2007:

> "The trading value of the Notes will be affected by factors that interrelate in complex ways, including the level and direction of interest rates, the anticipated level and potential volatility of the 30-year Swap Rate and the 2-year Swap Rate, the method of calculating the 30-year Swap Rate and the 2-year Swap Rate, the time remaining to the maturity of the Notes, the right of Lehman Brothers Holdings Inc. to redeem all of the Notes, **the creditworthiness of Lehman Brothers Holdings Inc.** and the availability of comparable instruments."[70] (emphasis added)

This language is consistent with credit risk disclosures included in pricing supplements to PPNs issued by JP Morgan, Deutsche Bank and Morgan Stanley that were issued in the same time period.[71] Beginning in October 2007, most of the pricing supplements for the At-Issue Securities included a separate clause specifically related to the risks associated with Lehman Brothers' creditworthiness, using the following (or substantially similar) words and phrasing:

> "Credit of Issuer: An investment in the Notes will be subject to the credit risk of Lehman Brothers Holdings Inc., and the actual and perceived creditworthiness of Lehman Brothers Holdings Inc. may affect the market value of the Notes."[72]

Other PPN issuers, such as Morgan Stanley and Bank of America also discussed the credit of the issuer in a separate clause around this time. Certain issuers, such as JP Morgan, continued to mention the credit of the issuer within a larger list of risk factors after October 2007.

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[70] See, e.g., Lehman Brothers Holdings, Inc. Pricing Supplement No. 166 dated April 23, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006, p. 6.

[71] None of this risk disclosure language used by other issuers during the Evaluation Period was shown on the front page of the pricing supplements. See, e.g. JP Morgan Pricing Supplement No. 433 dated April 27, 2007 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 17-III dated January 11, 2007, PS-3; Deutsche Bank Pricing Supplement No. 149T dated August 28, 2007 to Prospectus dated October 10, 2006, Prospectus Supplement dated November 13, 2006 and Product Supplement T dated April 11, 2007, pp. PS-5-6; Morgan Stanley Pricing Supplement No. 293 dated May 23, 2007, p. 6.

[72] See, e.g., Lehman Brothers Holdings Inc., Pricing Supplement No. 1 dated October 26, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated December 12, 2007 and Product Supplement No. 550-I dated September 21, 2007, p. 5.

41. Thus the issuer credit risk language in the offering materials of the At-Issue Securities with principal protection is similar to the language in offering materials prepared by other issuers of principal protected notes during the Evaluation Period.

VII. INVESTORS HAD DIFFERENT LEVELS OF KNOWLEDGE OF LEHMAN BROTHERS' FINANCIAL CONDITION AND THE ALLEGED MISSTATEMENTS BASED ON THE TIMING OF THEIR PURCHASES

42. I have been advised by counsel that the level of an investor's knowledge is relevant to claims under Section 11 or Section 12(a)(2) of the Securities Act.

43. Based on my review of Lehman Brothers' public disclosures, press articles, television transcripts, research analyst reports, data summarizing economic conditions, and other public domain information about Lehman Brothers, I conclude that during the Evaluation Period, there was widespread reporting on Lehman Brothers' leverage, risk management practices, and concentrations of credit risk that changed over time and increased dramatically during 2008. As a result, different purchasers of the At-Issue Securities had access to a different mix of information regarding issues affecting Lehman Brothers relevant to their investments, depending on the time of purchase. Exhibits 3 to 7 and Appendix C demonstrate the changing mix of information available to investors during the Evaluation Period regarding Lehman Brothers and its alleged misstatements as well as the macro economy. Thus, the materiality of the alleged misrepresentations will differ for individual investors based on the mix of information available to them at the time of their purchases.

44. In addition, many of the publicly available reports on Lehman Brothers' financial condition revealed information—particularly about credit risk concentrations and risk management—that Plaintiffs' contend was misstated or omitted in the offering documents for the At-Issue

Securities. Accordingly, many purchasers of the At-Issue Securities also likely knew about the facts that were supposedly misstated or omitted from their offering documents depending on when they bought At-Issue Securities and whether they viewed the reports.

A. Evolving Public Information about Market Conditions and Macroeconomic Risk

45. Major economic events and corresponding market reactions during the Evaluation Period gave investors different knowledge of the health of the U.S. economy and expectations for the performance of markets (i.e., the return on their investments). For example, Exhibit 3 shows that the S&P 500 Index, a common gauge of the overall health of the U.S. economy, closed at an all-time high in October 2007.[73] By the end of October 2007, 13 of the At-Issue Securities had been issued. Two months later, in December 2007, the U.S. economy had entered a recession.[74] By March 2008, three months into the recession, the S&P 500 Index had lost 15 percent of its value and had closed lower at each month-end since the October 2007 peak. Of the 31 At-Issue Securities, nine were issued in March 2008 or later as the U.S. economy continued to struggle. By the end of the Evaluation Period, the S&P 500 was at 1,192, a drop of 20 percent from the start of the Evaluation Period. In addition to declines in the stock market, the consumer confidence index declined during the Evaluation Period.[75] For the first five months of the Evaluation Period the consumer confidence index was over 100 before dropping into the low 50s to mid 60s range (a decrease of between 37 percent and 55 percent) for the last seven months of the Evaluation Period. Seven of the At-Issue Securities were issued during the months the consumer confidence index was over 100, while nine At-Issue Securities were issued during the

[73] The previous all-time high had occurred in September 2000.
[74] "Business Cycle Dating Committee," National Bureau of Economic Research, September 20, 2010.
[75] The Consumer Confidence Index is an indicator of consumer optimism on the state of the economy based on a monthly survey of more than 5,000 households with a benchmark in 1985=100.

months the consumer confidence index was in the mid 60s or lower. In addition, At-Issue Securities were purchased and sold in secondary transactions throughout the Evaluation Period. The available information about market expectations and the condition of the U.S. economy would have differed for someone purchasing an At-Issue Security during a period of economic growth in 2007 compared to an investor purchasing an At-Issue Security six months into the recession in June 2008 or an investor purchasing an At-Issue Security in September of 2008 after the Federal Government had taken over Fannie Mae and Freddie Mac.

46. During the Evaluation Period, as the stock market and consumer confidence levels declined, a series of negative events in the financial services industry occurred and the government took certain actions in response. The following events are examples of major economic events in the financial services industry that occurred during the Evaluation Period:

- The bankruptcy of New Century Financial Corporation, a leading sub-prime mortgage lender on April 2, 2007;[76]
- The liquidation of two Bear Stearns hedge funds that invested in mortgage-backed securities on July 31, 2007;[77]
- The Economic Stimulus Act of 2008 signed into law on February 13, 2008;[78]
- Bear Stearns acquired by JP Morgan with the help of a $30 billion Federal Reserve credit line on March 16, 2008;[79] and

[76] Keoun, Bradley and Steven Church, "New Century, Biggest Subprime Casualty, Goes Bankrupt (Update4)," *Bloomberg*, April 2, 2007, available at http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aXHDSbOcAChc, accessed on February 21, 2012.
[77] St. Onge, Jeff and Bill Rochelle, "Bear Stearns Caymans Filing May Hurt Funds' Creditors (Update4)," *Bloomberg,* August 7, 2007, available at http://www.bloomberg.com/apps/news?pid=newsarchive&sid=awRQv0XawGk0, accessed on February 21, 2012.
[78] "Bush Signs Stimulus Bill; Rebate Checks Expected in May," *CNN Politics,* February 13, 2008, available at http://articles.cnn.com/2008-02-13/politics/bush.stimulus_1_rebate-checks-economic-stimulus-act-stimulus-bill?_s=PM:POLITICS, accessed on February 21, 2012.
[79] Sorkin, Andrew Ross, "JP Morgan Pays $2 a Share for Bear Stearns," *The New York Times*, March 17, 2008, available at http://www.nytimes.com/2008/03/17/business/17bear.html?pagewanted=all, accessed on February 21, 2012.

- Fannie Mae and Freddie Mac taken over by the Federal Government on September 7, 2008.[80]

The general decline in the U.S. economy and the specific negative events that occurred in the financial services industry demonstrate that investors who purchased securities later in the Evaluation Period had a different mix of information about the macro economy and its potential effects on the riskiness of the At-Issue Securities compared to investors who purchased securities early in the Evaluation Period.

B. Evolving Public Knowledge of Lehman Brothers' Specific Risks, Including Risks Related to the Alleged Misstatements

47. Publicly available information on Lehman Brothers' financial condition, including information related to the alleged misstatements and omissions, changed during the Evaluation Period. Exhibits 4 to 7 and Appendix C capture the market's assessment of Lehman Brothers' financial condition as well as select events, news, and stock analyst opinions on the state of Lehman Brothers during the Evaluation Period. The exhibits plot events against a time series of Lehman Brothers' 1-year Credit Default Swap spread ("CDS spread"). The CDS spread is the annual cost for protection against default from an issuer of debt which would occur under certain conditions, including bankruptcy. Thus, Lehman Brothers' 1-year CDS spread is a measure of the market's perceived risk of investing in Lehman Brothers' debt. An increase in the CDS spread indicates generally that the market believes Lehman Brothers' probability of default on its debt has increased. Lehman Brothers' CDS spread increased substantially between the first issuance of an At-Issue Security in April 2007, when it was 6.1 basis points, and the time of the last issuance of an At-Issue Security in June 2008, when it was 400.2 basis points. The last purchase in a

[80] Ellis, David, "U.S. Seizes Fannie and Freddie," *CNN Money*, September 7, 2008, available at http://money.cnn.com/2008/09/07/news/companies/fannie_freddie/index.htm, accessed on February 21, 2012.

secondary transaction of an At-Issue Security (secondary transaction dates are identified by red dots in Exhibits 4 to 7) was on September 12, 2008, when Lehman Brothers' CDS spread had increased to 1,351.2 basis points.

48. Specific disclosures from Lehman Brothers and actions by rating agencies during the Evaluation Period, presented in Exhibit 4, show Lehman Brothers' deteriorating financial situation as the mortgage industry and the financial services industry weakened. SEC filings and press releases demonstrate Lehman Brothers' increasing losses and credit risk exposures during the Evaluation Period. On March 21, 2008, S&P cut Lehman Brothers' credit rating outlook to negative before lowering it from A+ to A on June 2, 2008.[81] On April 1, 2008, Fitch changed its outlook for Lehman Brothers to negative and downgraded Lehman Brothers' credit rating from AA- to A+ on June 9, 2008.[82] Moody's changed its outlook on Lehman's rating to negative on June 9, 2008, placed Lehman on review for possible downgrade on June 14, 2008 and then lowered it from A1 to A2 on July 17, 2008.[83] The mounting losses disclosed by Lehman Brothers as the U.S. economy weakened and the rating agencies' response provided investors different mixes of information depending on when they invested in the At-Issue Securities.

49. The large increase in the cost to protect against default of Lehman Brothers' debt over the course of the Evaluation Period and the increase in disclosures related to overall risks at Lehman Brothers show that investors who purchased At-Issue Securities later in the

[81] Yidi, Zhao, "S&P Lowers Its Credit Outlooks for Goldman, Lehman," *The Washington Post*, March 22, 2008; Craig, Susanne, "Losses Push Lehman to Weigh Raising New Capital," *The Wall Street Journal*, June 3, 2008.
[82] "Fitch Revises Outlook on Lehman Brothers to Negative; Affirms 'AA-/F1+' IDRs," *Business Wire*, April 1, 2008; "Fitch Cuts Lehman Credit Rating," *Reuters News*, June 9, 2008.
[83] "Moody's Is Reviewing Lehman's Credit," *The New York Times*, June 14, 2008; Moody's Investors Service, "Rating Action: Moody's Lowers Lehman Brothers Rating to A2; Outlook Negative," July 17, 2008.

Evaluation Period had a different mix of information about the risk of investing in Lehman Brothers' fixed income securities.

50. Additionally, information on Lehman Brothers' 1) leverage, 2) risk management practices, and 3) concentration of commercial real estate and Alt-A mortgage products, changed during the Evaluation Period. News reports, television shows, analyst coverage, and rating agency actions, and public disclosures by Lehman Brothers further altered the mix of information available to investors about Lehman Brothers' financial health.

1. *Leverage*

51. Information about Lehman Brothers' leverage was revealed throughout the Evaluation Period. Publicly available information indicates that the market understood that Lehman Brothers' leverage was changing throughout the Evaluation Period and that it was generally de-leveraging. The select excerpts below from Exhibit 5 demonstrate the changing mix of information regarding Lehman Brothers' leverage:[84]

- "Still, while we think mgmt did a good job of putting the liquidity issue to bed, LEH still has considerable mortgage exposure (~$63 bn), de-leveraging is likely to continue & the overall economic and earnings environment remains challenging."[85] [March 19, 2008]
- "The Outlook revision to Negative from Stable results from increased earnings pressure and leverage as inventory expanded in residential and commercial real estate related securities and loans and corporate loans and commitments."[86] [April 1, 2008]
- "In particular, financial institutions are looking to sell residential & commercial mortgages, real estate investments, as well as high grade and high yield exposures. At Lehman, management expected 'illiquid' exposures to be down ~20% in 2Q08 and reiterated its 2Q08 leverage targets (gross 25x, net 12x)."[87] [May 19, 2008]

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[84] Additional excerpts are shown on Appendix C.
[85] Schorr, Glenn, Mike Carrier, and Keith Murray, "Lehman Brothers, A Sign of Relief," UBS Investment Research, March 19, 2008, p. 4.
[86] "Fitch Revises Outlook on Lehman Brothers to Negative; Affirms 'AA-/F1+' IDRs," *Business Wire*, April 1, 2008.
[87] Finch, Philip, Glenn Schorr et al., "Global Bank Perspectives," UBS Investment Research, May 19, 2008, p. 6.

- "Lehman, like its counterparts, is racing to use less leverage. The bank had a gross leverage ratio of 31.7:1 at the end of the first quarter, meaning it had borrowed $31.70 for each dollar of equity. Lehman has whittled that ratio down to 25:1 through its more than $100 billion in asset sales, said the person close to the company who was given anonymity because he was discussing a pending financial filing. A small amount of the sales were to two hedge funds set up by former Lehman executives."[88] [June 4, 2008]
- "[D]espite Lehman's contention that its efforts to reduce its leverage are now complete, that may not be the case. True, Lehman sold $130 billion worth of assets during the second quarter to improve its balance sheet. Its assets fell to 25 times shareholder equity at the end of its fiscal second quarter, from 31.7 times at the end of the first quarter - an indication that borrowings are comprising less of Lehman's capital structure. And this month's raising of $6 billion in new capital pared that number further, below 22, according to Lehman."[89] [June 13, 2008]
- "LEH has seen gross leverage rise from 23.7x in 2003 to 31.7x in 1Q08, or ~30%, though still less than the 52% increase seen at peers."[90] [June 30, 2008]
- "Leverage Ratios Are In Line With Peers. In 2Q08, Lehman reduced its leverage ratio and adjusted leverage ratio 23% and 18%, respectively, resulting in ending leverage ratio of 24.3x and adjusted leverage ratio of 12.6x. Overall, Lehman's leverage was below those of its peers' in 2Q08."[91] [July 14, 2008]
- "Adjusted leverage ratio of 25x is also not necessarily excessive, particularly if higher leverage was accompanied by a reduced risk profile as commercial mortgage inventory was marked down in conjunction with asset sales."[92] [July 24, 2008]
- "Lehman Brothers.... Focused on de-risking and deleveraging. ...We think management gets the market's message and is focused on shedding more balance sheet risk."[93] [August 11, 2008]

52. The information available to investors at different times during the Evaluation Period with respect to Lehman Brothers' leverage would affect investors' assessments of the risks of investing in the At-Issue Securities.

[88] Story, Louise, "Making Trouble for Lehman," *The New York Times*, June 4, 2008.
[89] Rapoport, Michael, "In the Money: Lehman May Need to Do More to Cut Leverage," *Dow Jones News Service*, June 13, 2008.
[90] Pinschmidt, Patrick and Avi Ghosh, "Lehman Brothers, Bruised, Not Broken – and Poised for Profitability," Morgan Stanley, June 30, 2008, p. 5.
[91] Trone, David and Ivy De Dianous, "Lehman Brothers, Going Private May be the Best Course of Action," Fox-Pitt Kelton Cochran Caronia Waller, July 14, 2008, p. 3.
[92] Pinschmidt, Patrick, "Lehman Brothers, Plausible Downside on Fundamentals Is Priced In," Morgan Stanley, July 24, 2008, p. 4.
[93] Sawe, Joseph Anthony, "UBS Daily Guide, WMR Global Morning Update, Earnings Downdraft to Continue," UBS Wealth Management Research, August 11, 2008, p. 5.

2. ***Risk management***

53. Assessments of Lehman Brothers' risk management practices were made throughout the Evaluation Period. The perception of Lehman Brothers' risk management practices, including its risk appetite and value at risk ("VaR"), changed over the course of the Evaluation Period.[94] Below, the select excerpts from Exhibit 6 show the evolution of knowledge of Lehman Brothers' risk management practices:[95]

- "As far as risk appetite and the tick up in the equity risk over the course of the quarter, we're in the risk business. And I think as the evolving equity markets continue to change and we play in that in servicing client flow we certainly serve as a principal and risk taker around client flow. And our objective is to try to intermediate that and take out small spreads out of lots of transactions. But certainly it is a risk business and the increase in VaR is reflective of the growth of the firm including getting into new markets outside the U.S."[96] [June 12, 2007]
- "Market and credit risks are managed to minimize risk of loss. Lehman's market risk appetite is in the mid range of peers based on Fitch calculations."[97] [June 28, 2007]
- "**Risk management and appetite…** Lehman demonstrated and thereby differentiated itself in terms of risk management expertise in 2007. Confidence in risk management (culture, employee development, active CEO focus and integration into the business units drive Lehman's success) and opportunities in the marketplace are driving a modest increase in risk appetite in 2008."[98] [February 6, 2008]
- "Indeed, investors are taking a grim view of the prospects for other investment banks like Lehman Brothers and Merrill Lynch. Managers of hedge funds and mutual funds say the problems at Bear confirmed their worst fears about the brokerages -- that they have relied too much on leverage and have done a poor job managing the risks they took on during the boom."[99] [March 17, 2008]
- "**Risk appetite meaningfully reduced.** Lehman's deleveraging process will reduce balance sheet exposures most notably in the fixed income business—real estate first; leveraged loans right behind that. Does this automatically translate to lower ROEs—

[94] Value at risk is a measure of risk that is an estimate of the amount of mark-to-market loss that could be incurred, with a specified confidence level, over a given time period. The larger the VaR, the larger the risk to the firm's balance sheet.
[95] Additional excerpts are shown on Appendix C.
[96] Lehman Brothers, "Q2 2007 Earnings Call," June 12, 2007, p. 14.
[97] "Fitch Upgrades Lehman Brothers Holdings' L-T IDR to 'AA-,'" *Dow Jones & Company Inc.,* June 28, 2007.
[98] Roth Katzke, Susan and Ross Seiden, "Lehman Brothers, Credit Suisse Fin'l Services Forum Highlights," Credit Suisse - Americas/United States Equity Research, February 6, 2008, p. 1.
[99] Thomas, Landon Jr., "Fears That Bear Stearns Downfall May Spread," *The New York Times*, March 17, 2008.

not necessarily. Pricing, volumes and business mix shifts should support returns."[100] [April 30, 2008]

- "David Einhorn thinks another big Wall Street bank is headed for trouble -- and he is not being quiet about it.…He questioned how [Lehman Brothers] valued the assets on its books, and whether it was disclosing all the risks it faces....Lehman has been singled out because of the large role it played in the mortgage market and its reluctance to disclose information about its assets compared with other Wall Street banks.…Lehman's management has spoken with some analysts about Mr. Einhorn, but they have declined to comment publicly beyond a statement that says Mr. Einhorn 'cherry picks' and misconstrues information."[101] [June 4, 2008]

- "[Moody's changing of Lehman's rating outlook to negative] also reflects Moody's concerns over risk management decisions that resulted in elevated real estate exposures and the subsequent ineffectiveness of hedges to mitigate these exposures in the recent quarter."[102] [June 9, 2008]

- "Market risk measures indicate Lehman has increased its risk to market volatility over historic levels. Lehman's disclosed VaR, Fitch stressed VaRs as a percent of tangible equity and the volatility of principal trading revenues [sic] reflect[s] the more volatile environment and heightened levels of risk to capital."[103] [June 9, 2008]

- "The Lehman culture is one, up until recently, known for its risk management."[104] [June 10, 2008]

- "But the news also came with a stunning admission: Lehman Brothers, whose veteran executives pride themselves on their ability to manage risks, lost a staggering $2.8 billion in the second quarter, its first deficit since going public in 1994. The loss far exceeded even the most pessimistic forecasts and reflected a twin blow of soured assets and bad trades. What is more, hedges that Lehman had put in place to cushion potential losses from mortgage investments went wrong, adding to the red ink, rather than minimizing it. The news heightened fears that other banks might run into more trouble. ...[A] crisis of confidence again threatened to engulf his firm. Shares of Lehman slid week after week and doubts grew about whether bank, one of the smallest players on Wall Street, could survive as an independent firm. ... And Lehman's savvy hedging activities, which had helped the firm avoid the big blowups that rocked many other banks in late 2007 and early 2008, failed to work during the

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[100] Roth Katzke, Susan and Ross Seiden, "Lehman Brothers, How Much Income from Fixed Income?," Credit Suisse - Americas/United States Equity Research, April 30, 2008, p. 1.
[101] Story, Louise, "Making Trouble for Lehman," *The New York Times*, June 4, 2008.
[102] "Rating Action: Moody's Changes Lehman's Rating Outlook to Negative," Moody's Investors Service, June 9, 2008.
[103] "Fitch Downgrades Lehman Brothers' L-T & S-T IDRs to 'A+/F1'; Outlook Negative," Fitch Ratings, June 9, 2008.
[104] Weidner, David, "Marketwatch View: Lehman May Need A Fresh Face at the Top," *Dow Jones News Service*, June 10, 2008.

second quarter. ... [I]ts hedging, especially hedges on commercial mortgage related positions, failed."[105] [June 10, 2008]

- "Bank of America analyst Michael Hecht seemed to share [Meredith] Whitney's view, calling the plans as 'lots of talk, not enough action.' He noted, 'While Lehman has made solid progress in reducing risk exposures, sizable exposures remain and we remain concerned about the pro forma mix of common vs. preferred/hybrid equity.'"[106] [September 11, 2008]

54. Lehman Brothers' quarterly public disclosures show that the firm's value at risk ("VaR") increased during the Evaluation Period. As shown in Figure 6, the three month average daily VaR increased for four consecutive quarters from $78 million on May 31, 2007 to $130 million on February 29, 2008 (an increase of 67 percent). Lehman Brothers' last reported three month average daily VaR for the quarter ending August 31, 2008 was $110 million, a 41 percent increase from May 31, 2007.[107]

Figure 6: Lehman Brothers Reported Average Daily VaR[108]

Quarter	Disclosure Date	VaR ($ Millions)
Q2 2007	6/12/2007	78
Q3 2007	9/18/2007	96
Q4 2007	12/13/2007	124
Q1 2008	3/18/2008	130
Q2 2008	6/16/2008	123
Q3 2008	9/10/2008	110

[105] Anderson, Jenny and Louise Story, "As Losses Mount, the Fed and the White House Step Up Fortunes Reverse for a Bank and Its Leader," *The New York Times*, June 10, 2008.
[106] Kardos, Donna, "Analysts: Lehman Moving in Right Direction, But Not Enough," *Dow Jones News Service*, September 11, 2008.
[107] Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 71; Lehman Brothers Holdings, Inc., "Lehman Brothers Announces Preliminary Third Quarter Results and Strategic Restructuring," Press Release, September 10, 2008, p. 18.
[108] Lehman Brothers "Q2 2007 Earnings Call," June 12, 2007, p. 5; Lehman Brothers "Q3 2007 Earnings Call," September 18, 2007, p. 6; Lehman Brothers "Q4 2007 Earnings Call," December 13, 2007, p. 5; Lehman Brothers "Q1 2008 Earnings Call," March 18, 2008, p. 7; Lehman Brothers Holdings, Inc., Lehman Brothers Reports Second Quarter Results," Press Release, June 16, 2008; Lehman Brothers Holdings, Inc., "Lehman Brothers Announces Preliminary Third Quarter Results and Strategic Restructuring," Press Release, September 10, 2008.

55. The articles and analyst reports cited above and presented in Exhibit 6 and Appendix C demonstrate that Investors who purchased At-Issue Securities later in the Evaluation Period had a different mix of information about Lehman Brothers' risk management, increased risk taking and worsening financial condition which gave insight into the risks of investing in the At-Issue Securities.

3. *Concentration of credit risk*

56. Information on Lehman Brothers' concentration of credit risks - and specifically exposure to commercial real estate and Alt-A residential mortgage assets - was disseminated to the public throughout the Evaluation Period. The following excerpts and Exhibit 7 show the public knowledge about Lehman Brothers' exposure to commercial real estate and Alt-A residential mortgage assets changed over the Evaluation Period:[109]

- "Okay. Just if, if we take the originations, we originated in the period 17 billion, and that's up a bit from the 15 and change billion that we originated actually in both benchmark periods. And so if you look at the first quarter, for example, on subprime we originated about just under 4 billion and we had roughly the same in the second quarter. So subprime origination volume was about the same and then Alt-A is the bigger component of what we issue – or what we originate, so the combination of Alt-A and outside the US was the remainder, but with the lion's share of it in Alt-A."[110] [June 12, 2007]
- "Commercial real estate is a surer market. But if we do have a recession, Lehman Brotherses [sic] will take it on the chin with these."[111] [January 9, 2008]
- "Current index figures suggest that the banks will face significant pain. Brad Hintz, an analyst at Sanford C. Bernstein & Company, calculated that Lehman Brothers has the highest exposure to commercial real estate-backed securities, with $39.5 billion, followed by Morgan Stanley, with $31.5 billion. (These numbers do not include hedges that the banks may have but do not disclose)."[112] [February 19, 2008]
- "Lehman Brothers Holdings (LEH), with about $18 billion of Alt-A loans and related securities, is most vulnerable, according to an estimate from David Trone, an analyst

[109] Additional excerpts are shown on Appendix C.
[110] Lehman Brothers, "Q2 2007 Earnings Call," June 12, 2007, p. 9.
[111] inewsnetwork, Global Broadcast Database, "SHOW: 1:15 PM CNBC," January 9, 2008.
[112] Anderson, Jenny, "Wall St. Banks Confront a String of Write-Downs," *The New York Times*, February 19, 2008.

at Fox-Pitt Kelton Cochran. …'Lehman has the greatest exposure to Alt-A, which could generate gross writedowns of close to $3 billion in the first quarter,' Trone told Dow Jones Newswires. The writedowns will be reduced through hedging, he said, estimating that Lehman may end up with about $2 billion of net writedowns for Alt-A and other troubled assets in its fiscal first quarter that ends this week" [113] [February 29, 2008]

- "But there's at least one reason for concern: Lehman has sizable exposure to dicey mortgage securities and other hard-to-value instruments that could be a drag on its liquidity. That same issue contributed to the problems at Bear."[114] [March 17, 2008]
- Lehman Brothers' CFO Erin Callan stated "[The $14.6 billion in residential mortgages are] primarily Alt-A.…[I]f there is a billion in prime [mortgages] that's probably the most that's in there."[115] [March 18, 2008]
- "Other areas for concern include Lehman's $39 billion in commercial real estate assets and $37 billion more in residential mortgages, businesses that have been hammered this year. If the moves in the real estate indexes were applied to the firm's totals, Lehman would take an estimated hit of $5 billion to $6 billion."[116] [March 18, 2008]
- "Looking ahead, as good as Lehman has been at managing its exposures, we still have some concerns about the sheer size and composition of the $31.8 billion of residential mortgage position ($14.8 billion of mostly Alt-A) and $31 billion of commercial mortgage position (Lehman sold $5 billion worth post the end of the quarter) on their books at a time when it seems that the illiquidity and deleveraging trends will continue in the face of a weakening economy."[117] [March 19, 2008]
- "Overall, [Lehman Brothers] has about $31.8 billion in residential-mortgage exposure and $13.5 billion is Alt-A. The firm has taken $3 billion in write-downs on the residential portfolio, a substantial portion of which was Alt-A. On this front, Lehman argues this positioned is hedged, meaning that any losses will be offset by gains elsewhere."[118] [April 1, 2008]
- "After meeting with Erin Callan, the chief financial officer of Lehman Brothers, Michael Mayo said he had a one-word reaction: 'Wow.' And not the good kind of wow. Mr. Mayo, a banking analyst at Deutsche Bank, published a generally downbeat report Thursday on Lehman's prospects, which he said reflected a 'new harsh reality' for the fourth-largest United States brokerage firm. ... Ever since the collapse of Bear

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[113] Horowitz, Jed, "New Mortgage Woes Dog Investment Banks on Eve of 1Q Reports," *Dow Jones News Service*, February 29, 2008. Also referred to in Trone, David and Ivy De Dianous, "Lehman Brothers, Alt-A Deterioration Prompting Additional Write-Downs," Fox-Pitt Kelton Cochran Caronia Waller, February 29, 2008, p. 1.
[114] Rapoport, Michael, "In the Money: Why Lehman May or May Not Be the Next Bear," *Dow Jones News Service*, March 17, 2008.
[115] Lehman Brothers, "Q1 2008 Earnings Call," March 18, 2008, p. 14.
[116] Anderson, Jenny, "Aftershocks of a Collapse, With a Bank at the Epicenter," *The New York Times*, March 18, 2008.
[117] Schorr, Glenn, Mike Carrier, and Keith Murray, "Lehman Brothers, A Sign of Relief," UBS Investment Research, March 19, 2008, p. 3.
[118] Craig, Susanne, "Lehman Wants to Short-Circuit Short Sellers," *The Wall Street Journal*, April 1, 2008.

Stearns, questions about Lehman's liquidity have been swirling around Wall Street -- some have even suggested that there has been a deliberate effort by some investors to bring it down. ... And there may be a more immediate problem. Mr. Mayo thinks that Lehman has more asset write-downs ahead. His estimate is $2.3 billion in the second quarter, chiefly related to commercial-backed mortgage securities."[119] [April 11, 2008]

- "Confidence is clearly undermined [in Lehman] by the anticipated 2Q loss and the need for incremental marks against still large real estate exposures; what's critical is a material reduction in such exposures, at carrying value."[120] [May 21, 2008]
- "Fitch believes Lehman will continue to sell riskier assets and reduce its overall risk in specific asset classes, particularly residential and commercial mortgages. However, Fitch is concerned that such sales may remove the most attractive assets, leaving a concentrated level of least desirable or more problematic assets on the balance sheet."[121] [June 9, 2008]
- "A chief Lehman-specific risk is its remaining exposure to residential and commercial mortgages."[122] [June 10, 2008]
- "Consider that earlier this year Lehman, amid falling mortgage markets, increased by about $2 billion its holdings of so-called Alt-A loans, or mortgages made to borrowers who aren't exactly prime. 'We saw a great opportunity,' Ms. Callan said March 18. Now, less than three months later, that move doesn't look so smart. Lehman said Monday that it had gross write-downs of about $2 billion on residential-mortgage holdings, which are mostly Alt-A loans, during the fiscal second quarter that ended in May. That helped fuel what Lehman expects to be a $2.8 billion net loss for the quarter. While Lehman may eventually see some of those holdings rebound, the episode underlines the big worry surrounding the firm: that it has been slower than peers in adequately marking down holdings and shedding deadweight assets."[123] [June 10, 2008]
- "Moody's said that over the past two quarters Lehman has made significant progress reducing its exposures to commercial and residential real estate. 'Despite these notable risk reductions, Lehman's mortgage exposures and concentrations remain high and have weighed heavily on the firm's operating results and market confidence,' said Moody's Senior Vice President, Blaine Frantz."[124] [July 17, 2008]

[119] Sorkin, Andrew Ross and Michael J. de la Merced, "Dealbook Extra," *The New York Times*, April 11, 2008.
[120] Roth Katzke, Susan and Ross Seiden, "Lehman Brothers, Reducing Estimates," Credit Suisse - Americas/United States Equity Research, May 21, 2008, p .1.
[121] "Fitch Downgrades Lehman Brothers' L-T & S-T IDRs to 'A+/F1'; Outlook Negative," Fitch Ratings, June 9, 2008.
[122] Goldschneider, Sandra, "Lehman Brothers, Corporate Update: The Perfect Storm: Focus on Core EPS; Buy," UBS Wealth Management Research, June 10, 2008, p. 2.
[123] Reilly, David, "Lehman Talks a Rosy Talk—Walking the Walk May Prove Thornier Than Bank Predicts," *The Wall Street Journal*, June 10, 2008.
[124] "Rating Action: Moody's Lowers Lehman Brothers Rating to A2; Outlook Negative," Moody's Investors Service, July 17, 2008.

- "We now expect LEH to post a loss for the quarter given negative marks related to Alt-A mortgages and a potential loss on a bulk sale of commercial real estate assets."[125] [August 4, 2008]

57. The excerpts above demonstrate that investors who purchased At-Issue Securities later in the Evaluation Period had a different mix of information about the Lehman Brothers' exposure to commercial real estate and Alt-A residential mortgage assets, information that provided important knowledge about the risks of investing in the At-Issue Securities.

C. Materiality of the Alleged Misrepresentations Differs Across Investors Based on when At-Issue Securities were Purchased

58. I have been advised by counsel that any misrepresentations must be material for investors to have a claim under Section 11 or Section 12(a)(2) of the Securities Act and that materiality requires showing a substantial likelihood that the alleged misrepresentation would have been significant to an investor in the At-Issue Security.

59. As I have discussed extensively in the sections above, the total mix of information available to investors concerning Lehman Brothers' leverage, risk management, and concentration of credit risk beyond what was stated in the offering documents changed dramatically throughout the Evaluation Period. For example, the total mix of information available to an investor who purchased an At-Issue Security after March 18, 2008 - when, as discussed above, Lehman Brothers disclosed that no more than $1 billion of its reported $14.6 billion of Alt-A/prime assets were prime with the remainder being Alt-A - was quite different from the information available to an investor prior to that date.[126] Similarly, purchasers of the At-Issue Securities in June 2008, after Lehman Brothers was put on credit watch, in part due to perceived problems with its risk management practices, had a

[125] UBS Investment Research, "Capital Markets-What to Watch Monthly," August 4, 2008.

[126] Even prior to March 18, 2008, as shown in the discussion above in Section VII.B.3, the public had information regarding Lehman Brothers' exposure to Alt-A assets.

different mix of information available to them than investors who purchased At-Issue Securities prior to that date.[127] Thus, the materiality of the alleged misstatements would vary considerably across investors depending on the total mix of information available to them when they purchased the At-Issue Securities.

VIII. DATA USED IN ANALYSIS

60. In Sections IX and X, I conduct quantitative analyses of class certification issues. In Section IX, I analyze the prices of the PPNs and whether they reflected Lehman Brothers' credit risk. In Section X, I analyze the differences in sophistication among investors in the At-Issue Securities. Below, I describe the primary data sources used in these analyses.

A. UBS Trade Database

61. For portions of my analysis in this report, I rely on a file provided to me by counsel ("UBS Trade Database"). This file, which I understand was prepared by UBS, contains transaction level data for both purchases and sales of the At-Issue Securities. I understand that these data are complete with respect to initial purchases of the At-Issue Securities, but do not contain complete information on sales or secondary transactions.

62. The UBS Trade Database contains many pieces of information associated with each transaction. These data include characteristics of each transaction such as the date of the transaction, the CUSIP of the At-Issue Security transacted, the transaction price, and the volume (total face value) of the transaction. In addition, the UBS Trade Database contains data on the customer involved in the transaction including a description of the type of investor (e.g., individual, corporation, partnership), a client identification variable that links customers with multiple accounts, and reported annual income and net worth.

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[127] Even prior to June 2008, as shown in the discussion above in Section VII.B.2, the public had information regarding Lehman Brothers' risk management practices.

63. Figure 7 below summarizes the number of purchase and sale transactions of the At-Issue Securities in the UBS Trade Database during the Evaluation Period:

Figure 7: Summary of Transactions in UBS Trade Database[128]

Type of Principal Protection	Count of At-Issue Securities	Number of Purchases	Percentage of Transactions	Number of Sales	Percentage of Transactions	Number of Transactions
100%	19	8,465	91.1%	829	8.9%	9,294
Partial	8	3,524	96.2%	140	3.8%	3,664
Contingent	2	1,294	87.7%	182	12.3%	1,476
None	2	2,122	86.6%	329	13.4%	2,451
Total	**31**	**15,405**	**91.2%**	**1,480**	**8.8%**	**16,885**

B. Named Plaintiff Account Documents

64. Counsel also provided account documents relating to each of the named plaintiffs. These documents include account statements, trade transactions, and forms filled out by the named plaintiffs when they opened their accounts. I compared information from the account documents to the UBS Trade Database and found that transaction level data, where available (i.e., date, security, price, etc.) generally agree between the two sources.

C. IDC Pricing Opinions

65. I also analyzed the pricing information I obtained from IDC for the At-Issue Securities. IDC estimates prices for the At-Issue Securities based on quotes it receives from brokers.[129] IDC generally provides daily prices for At-Issue Securities over the Evaluation Period. However there is often a lag between the issuance of an At-Issue Security and IDC providing a price. For example, IDC first reported a price on April 14, 2008 for the At-Issue Security with CUSIP 5252M0CZ8, which was issued approximately a month and a half earlier on February 29, 2008. In addition, IDC's price opinions do not appear to have been updated daily. As shown on Exhibit 8, during the Evaluation Period, IDC's price

[128] Pricing Supplements for At-Issue Securities; UBS Trade Database ('10126459_1.xls').

[129] Interactive Data Corporation ("IDC") is a provider of financial information that provides fixed income evaluations, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions, and web-based solutions to financial institutions and active traders, as well as software and service providers. These prices represent its good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. I understand that IDC obtained the prices for the At-Issue Securities based on broker-dealer quotes. For other securities, IDC may provide an estimate of price based on a proprietary model.

opinion remained unchanged when compared to the previous day on average for 13 percent of the trading days across all the At-Issue Securities. The percentage of trading days with no price change compared to the previous day, depending on the At-Issue Security, ranged from 2 percent to 30 percent for specific At-Issue Securities. This lag in updates to IDC's price opinions indicates that the IDC prices for the At-Issue Securities may be slow to react to daily changes in market factors.[130]

66. I understand that UBS provided IDC prices for the At-Issue Securities to its customers on their account statements.[131] Furthermore I understand that UBS customers with electronic access had access to daily IDC prices for the At-Issue Securities.[132] This indicates that Class Members had IDC prices readily available to them on a monthly, if not daily, basis to assess the value of the At-Issue Securities.[133]

D. Comparison of IDC Pricing Opinions and UBS Trade Database

67. In Appendix D I plot the daily average transaction prices for each At-Issue Security from the UBS Trade Database against daily prices that I obtained from IDC. Appendix D shows that none of the At-Issue Securities traded on a daily basis, however on days when there were transactions, the IDC prices follow the actual transaction prices found in the UBS Database. Although IDC prices generally are not reflections of actual transaction prices, I rely on IDC prices as the market prices for the At-Issue Securities for portions of my analysis because 1) these prices were readily available to class members (daily) 2) they

[130] For this reason, I analyze weekly IDC price changes (returns) for the At-Issue Securities rather than daily IDC price changes in the analysis discussed below.

[131] I compared a selection of prices of the At-Issue Securities shown in the Account Statements of Named Plaintiffs to the IDC prices and confirmed that they matched.

[132] See Declaration of Eric Glicksman ¶ 17.

[133] At least some of the named plaintiffs relied on the IDC prices provided to them by UBS. For example, one named plaintiff emailed and called his broker to ask for advice upon noticing the price of one of the At-Issue Securities dropped 10 percent. Deposition of Stephen P. Gott, December 15, 2011, pp. 24, 141.

generally correspond to transaction prices when they actually occur, and 3) comprehensive transaction prices were not available to the market.[134]

IX. MARKET PRICES FOR THE AT-ISSUE SECURITIES WITH PRINCIPAL PROTECTION SHOW THAT THE MARKET KNEW THESE NOTES ISSUED BY LEHMAN BROTHERS HAD ISSUER CREDIT RISK

68. Plaintiffs have proposed to certify a class of investors who purchased the At-Issue Securities from April 2007 through September 2008, alleging that "questions of law and fact common to the [class] members predominate over any questions affecting only individual members."[135] I have been advised by counsel that investors have no claim under Section 11 or Section 12(a)(2) of the Securities Act where they purchased the Lehman Brothers' PPNs with knowledge of the alleged material misstatements or omissions.

69. Based on my analysis of the prices for the At-Issue Securities, the market understood that the At-Issue Securities with principal protection were not default risk free, but were subject to Lehman Brothers' credit risk. This means that even if disclosures concerning the "principal protection" features of the At-Issue PPNs ("Principal Protection Disclosures") were misleading to some investors, many investors understood the At-Issue Securities with principal protection were subject to Lehman Brothers' credit risk.

A. Pricing Information Indicates that Lehman Brothers' Specific Risks Were Incorporated Into the Price of At-Issue Securities with Principal Protection

70. Plaintiffs' theory that the Principal Protection Disclosures were misleading implies that the prices of the At-Issue Securities with principal protection should be unrelated to measures

[134] Transaction information provided by dealers and the market for most corporate bonds have been available to the public since 2006 through the Financial Industry Regulatory Authority's ("FINRA") Trade Reporting and Compliance Engine ("TRACE"). See 2010 TRACE Fact Book. However during the Evaluation Period, Bloomberg, a provider of TRACE data, only reports TRACE pricing and transaction data for the six At-Issue Securities with $1,000 face values, and based on the TRACE data, these six securities only traded on between 2 and 19 days during the Evaluation Period. TRACE pricing and transaction data for the other 25 At-Issue Securities are not available to the public through TRACE.

[135] Memorandum of Law in Support of The Structured Product Plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Class Counsel, February 3, 2012, p. 15.

of risk pertaining to Lehman Brothers. But if the prices of the At-Issue Securities fell as risks related to Lehman Brothers increased, the drop in market price indicates that that the market understood that they were subject to Lehman Brothers' credit risk even though offering documents for the securities promised "principal protection." In other words, if such a relation held, one can infer that the market was not misled by the Principal Protection Disclosures.

71. I examine whether there is a link between weekly changes in the IDC prices for the At-Issue Securities with principal protection and a measure of the market's perception of Lehman Brothers' issuer credit risk, its CDS spread.[136] Lehman Brothers' 1-year senior CDS spread shows the increase in the market's perceived risk of investing in Lehman Brothers' debt. If the prices of the At-Issue Securities decline when Lehman Brothers' CDS spread increases (or vice versa), one can infer that the market understood that the At-Issue Securities were subject to Lehman Brothers' credit risk.

72. Prices for the At-Issue Securities are affected by many factors which would be expected to contribute to the movement of their prices. As discussed above, the price of a security with a longer maturity is more sensitive to, and therefore more informative about, its issuer's credit risk. Therefore, I primarily examine the relation between price movements of an equal weighted portfolio of the six At-Issue Securities with 100 percent principal protection whose payments were tied to the difference between 30-year and 2-year swap rate spreads ("Swap-spread Portfolio") and Lehman Brothers' issuer credit risk. I would expect the prices of these six At-Issue Securities to be the most sensitive to changes in Lehman

[136] As discussed above, the IDC prices for the At-Issue Securities do not always change daily. I therefore analyze weekly price changes of portfolios of At-Issue Securities to better ensure that the IDC prices reflect changing market conditions.

Brothers' CDS spread because the time to maturity for these At-Issue Securities was relatively long (up to 15 years for these six At-Issue Securities vs. no more than 4 years for the other At-Issue Securities). I find, as shown on Exhibit 9, that contrary to Plaintiffs' theory, there is a statistically significant, negative relation between prices of the Swap-spread Portfolio and changes in Lehman Brothers' CDS spread.[137] In other words, as the perceived riskiness of Lehman Brothers' increased, the price of the At-Issue Securities decreased.

73. This analysis of price changes of the At-Issue Securities shows that the market as a whole and therefore many investors understood that the At-Issue Securities with principal protection were subject to Lehman Brothers' issuer credit risk.[138] Therefore, not all investors were misled by the Principal Protection Disclosures.

B. Pricing Information Available to Investors Show that PPNs Were Not Default Risk Free

74. Plaintiffs' theory that the Principal Protection Disclosures were misleading also implies that a 100 percent PPN should never be priced below a default risk-free Treasury security with comparable maturity. Otherwise, the 100 percent PPN's embedded zero coupon bond component would earn a rate of return greater than the corresponding default risk-free rate,

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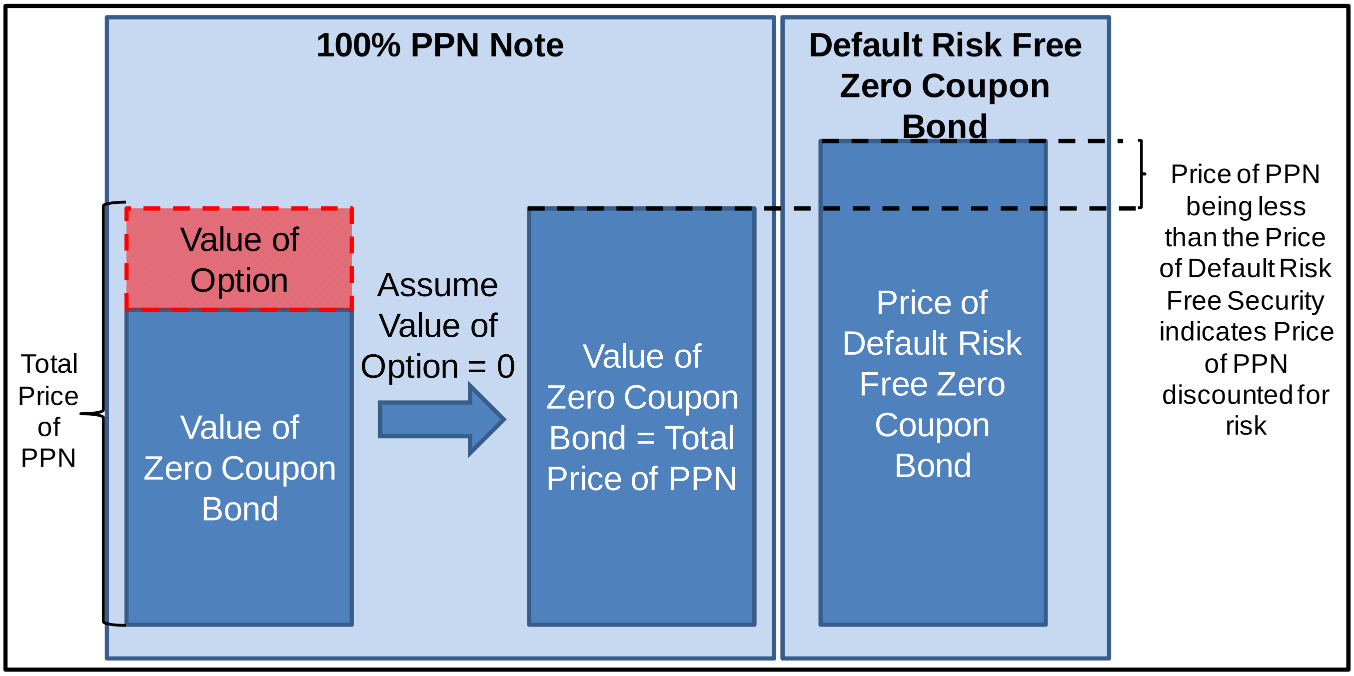
[137] I perform a two-stage least squares regression analysis over the Examination Period to test the relation between prices of the Swap-spread Portfolio and changes in Lehman Brothers' CDS spread. In the first stage, I regress the weekly price changes of the Swap-spread Portfolio against factors that would be expected to affect its prices including changes in interest rates, overall credit spreads, and the swap spread as well its volatility. In the second stage, I then regress the portion of the weekly price changes of the Swap-spread Portfolio that was not explained by the first stage regression against weekly changes in Lehman Brothers' 1-year CDS spread. Thus, the second stage tests whether changes in Lehman-specific risk factors explain price movements in the Swap-spread Portfolio beyond the amount explained by factors used in the first stage. Performing this analysis as a single stage regression does not affect my conclusions. In addition, I tested the relation of portfolios of 1) the At-Issue Securities with 100 percent principal protection excluding the six securities in the Swap-spread Portfolio and 2) the At-Issue Securities with partial principal protection. As with the regression shown in Exhibit 9, the second stage regressions demonstrate a negative, statistically significant relation between the prices of the portfolio and Lehman Brothers' CDS spread.

[138] Testimony from named plaintiffs supports that investors understood the prices of the At-Issue securities were affected by Lehman Brothers' issuer credit risk. For example, one named plaintiff testified that his "understanding of the [At-Issue Securities] going up and down [was] based on the perception of Lehman's financial condition." See Deposition of Stephen P. Gott, December 15, 2011, pp. 177-178.

which would be consistent with the PPN being priced to reflect Lehman Brothers' credit risk. A few simple examples demonstrate that the prices available to class representatives, either through their own transactions or through the IDC prices available to them on their account statements, indicate that the embedded "zero coupon bond" component for the At-Issue Securities was not default risk free. In other words, where the price of a 100 percent PPN was less than the price of a default risk free security with the same maturity date, that lower price reflects a discount for Lehman Brothers' credit risk.

75. As discussed above, the 100 percent PPNs have an embedded option component and an embedded zero coupon bond component that pays the face value of the note upon maturity. The price of the 100 percent PPN is the sum of these two components. The options associated with the 100 percent PPNs are generally complex in nature and therefore difficult to value. However, if one assumes the value of the embedded option component on a given day is zero (it should always be worth more than zero), then one knows that the price of the 100 percent PPN represents the *maximum* value that the embedded zero coupon bond component can have. In other words, the value of the embedded zero coupon bond component of a 100 percent PPN cannot exceed the price of the 100 percent PPN. Furthermore, if the price of a 100 percent PPN is lower than the price of a default risk free Treasury zero coupon bond maturing on the same day, then one can infer that the 100 percent PPN contains default risk. (see Figure 8)

Figure 8: Simple Analysis to Show Risk in 100 Percent PPN



76. I have identified a number of situations using the UBS Trade Database as well as information presented on the named plaintiffs' UBS account statements to demonstrate this point. In my experience, this type of analysis, comparing the yield or price of a security to the yield or price of a comparable default risk-free security is typically taught in introductory college finance classes, so even investors with a basic understanding of financial concepts would understand that the At-Issue Securities were not default risk free.

1. ***A simple analysis shows that prices paid by certain plaintiffs imply yields far in excess of risk free rates***

77. First, I looked at certain actual transactions in the UBS Trade Database that demonstrate the At-Issue Securities carried a default risk. Exhibit 10 shows examples of two different 100 percent PPNs, where the price paid by a member of the putative class was below the price of a similar default risk free zero coupon bond. For example, as shown in the exhibit,

on August 18, 2008, a putative class member purchased the 100 percent PPN with CUSIP 52522L889, maturing on August 31, 2011 for $8.62. Following the discussion above, I calculate a yield of at least 5.02 percent for this 100 percent PPN's zero coupon bond component.[139] On the same day, a U.S. Treasury STRIP security (generally considered a default risk-free investment) maturing on August 31, 2011 had a yield of only 2.89 percent.[140] This means that the embedded zero coupon component of the 100 percent PPN had a yield 213 basis points above a default risk free security, which shows that default risk was priced into this security. Alternatively, the price of a default risk free security with the same maturity would be $9.17, which means the At-Issue Security traded at a 6.01 percent discount to a default risk free security. Based on the difference in price between this 100 percent PPN and the price of a default risk free Treasury security, many investors would understand that the PPN was not default risk free.

2. *A simple analysis shows that prices shown on certain plaintiffs' account statements imply yields in excess of risk free rates*

78. Next, I looked at prices shown on the account statements of named plaintiffs who purchased PPNs in order to show that the At-Issue Securities carried a default risk. Exhibit 11 shows examples of four instances where the prices on a monthly account statement imply that the securities had issuer credit risk. For example, as shown on the exhibit, Mohan Ananda (and any other putative class member with a UBS account who purchased the same At-Issue Security) would have seen a price of $8.57 for the 100 percent PPN with

[139] Implied yield is calculated as (maturity price/current price)^(1/years to maturity)-1. In Exhibit 10, I use the "purchase price" variable in the UBS Trade Database as the "current price."

[140] Treasury STRIPS, or "Separate Trading of Registered Interest and Principal Securities" are U.S. government treasury securities whose interest and principal payments have been "stripped" into separate securities. In other words, Treasury STRIPS are zero coupon, default risk-free U.S. government bonds. Although yields for treasury STRIPS are not easily accessible to all market participants, yields on constant maturity US government securities, which are easily accessible (for example on Federalreserve.gov) could be used as a proxy and would lead to a similar conclusion.

CUSIP 52522L186, maturing August 31, 2011, on his March 31, 2008 account statements.[141] This means that as of that date, the embedded zero coupon bond component of this security had a yield of at least 4.62 percent.[142] On the same day, a default risk free treasury STRIP security maturing on August 31, 2011 had a yield of 2.87 percent.[143] This means that the embedded zero coupon component of the 100 percent PPN had a yield 175 basis points above a default risk free security, which shows that default risk was priced into this security. Alternatively, the price of a default risk free Treasury security with the same maturity would be $9.08 which means the At-Issue Security traded at a 5.61 percent discount to a default risk free security. Based on the difference in price between this 100 percent PPN and the default risk free Treasury security, the market understood that the 100 percent PPN was not default risk free.

79. The fact that prices of At-Issue Securities with 100 percent principal protection were lower than prices of a default risk free Treasury on certain days shows that the market as a whole and therefore many investors understood that Lehman Brothers' credit risk was priced into these securities and that the At-Issue Securities with 100 percent principal protection were not default risk free. Thus this analysis provides another example that shows that many investors were not misled by the Principal Protection Disclosures.

X. INVESTORS IN THE AT-ISSUE SECURITIES HAD DIFFERENT LEVELS OF SOPHISTICATION

80. As discussed above, based on 1) the public knowledge that principal protected notes contain issuer credit risk, 2) the disclosures in the offering documents for the At-Issue

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[141] As discussed above, the account statements show IDC prices.

[142] Implied yield is calculated as (maturity price/current price)^(1/years to maturity)-1. In Exhibit 11, I calculate implied yield using the price on the account statement as the "current price."

[143] I use the yield on March 28, 2008 because yield data was unavailable for the risk free security on March 31, 2008.

Securities, and 3) the prices of the At-Issue Securities, I concluded that market participants understood that At-Issue Securities with principal protection were exposed to Lehman Brothers' credit risk. This is consistent with the Court's opinion that a "careful and intelligent reader" would not have been misled about the nature of PPNs.[144] Based on my research and experience, I further conclude that the investors in the At-Issue Securities had different levels of sophistication and therefore varying likelihoods of being "careful and intelligent readers" or otherwise understanding the nature of the principal protection offered by PPNs.

A. Differences in Annual Income and Net Worth Indicate Differences in Sophistication Across the Investors in the At-Issue Securities

81. I used the UBS Trade Database to examine the distribution of reported net worth and annual income among the potential class members. These metrics are relevant to the SEC's definition of "accredited investor," which is a proxy for investor sophistication. My findings reveal that more than 40 percent of all investors in the At-Issue Securities were likely to be sophisticated.

82. Using the UBS Trade Database, I first removed duplicate Client IDs (i.e. transactions with the same client identification number) and then segmented each purchaser as either an individual or an entity/trust based on the Registration Description.[145] I then calculated the distribution of annual income and net worth by security and by type of purchaser.

83. The dispersion of reported annual income and net worth among purchasers shows the high likelihood of different levels of sophistication amongst investors. Exhibit 12 shows the

[144] Motion to Dismiss Opinion, July 27, 2011, p. 97.

[145] I categorized "Community Property," "Custodian for Minor," "Executor/Administrator," "Guardian/Committee/Conservator," "Individual," "Joint Ten W Rights of Survival" "Tenants by Entirety" and "Tenants in Common" as individuals. If an individual and entity/trust Registration Description were associated with the same Client ID, I assumed the purchaser was an entity/trust.

annual income and net worth distribution of the purchasers of the notes. For example, one quarter of the investors in the 100 percent principal protected At-Issue Security with the CUSIP 52523J248 had annual incomes of $60,000 or less and one quarter had annual incomes above $200,000.

84. Investors' annual income and net worth also varied considerably across the 31 At-Issue Securities. The median annual income ranged between $100,000 and $250,000 across securities, and median net worth ranged between $800,000 and $5,000,000.

B. The Percentage of Investors Who Would be Considered Accredited by the SEC Indicates Differences in Sophistication in the Investors in the At-Issue Securities

85. In addition to looking at the distribution of annual income and net worth of the putative class members, I used the information in the UBS Trade Database to determine which investors in the At-Issue Securities would be considered to be "accredited" by the SEC. The SEC views accredited investors as being more sophisticated in that it allows them to invest in unregistered securities.[146] Because accredited investors are more likely to be sophisticated than non-accredited investors, analyzing how many investors would be considered "accredited" by the SEC is a method to gauge the differences in the level of sophistication between the investors in the At-Issue Securities.

86. As discussed below, the SEC has different criteria for accredited investors depending on whether the investor is an individual, or whether the individual is a non-person based on the "Registration Description" variable, which I understand describes the nature of the owner of the account.

[146] "Accredited Investors," U.S. Securities and Exchange Commission, October 17, 2011, available at http://www.sec.gov/answers/accred.htm, accessed on December 5, 2011.

87. Per Rule 501 of Regulation D,[147] the SEC states that individual investors can be accredited if: (1) they are a director, executive officer, or general partner of the company selling the securities; (2) a natural person who has **individual net worth**, or joint net worth with the person's spouse, that **exceeds $1 million at the time of the purchase**, excluding the value of the primary residence of such person; or (3) a natural person with **income exceeding $200,000 in each of the two most recent years** or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year.[148] (emphasis added)

88. Thus in order to determine if an individual investor is "accredited," one would need to know an investor's net worth, their income for the past several years, their future earnings prospects, and their marital status.[149] Because the UBS Trade Database does not provide marital status and only provides income at the time of purchase, I assume that any investor with income exceeding $200,000 or has a net worth exceeding $1 million is accredited.

89. Per Rule 501 of Regulation D, the SEC states that Corporations / Organizations / Entities can be accredited if they are: (1) a bank, insurance company, registered investment company, business development company, or small business investment company; (2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the **plan has total assets in excess of $5 million**; (3) a **charitable**

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[147] "Accredited Investors," U.S. Securities and Exchange Commission, October 17, 2011, available at http://www.sec.gov/answers/accred.htm, accessed on December 5, 2011; Title 17: Commodity and Securities Exchanges, Part 230-General Rules and Regulations, Securities Act of 1933, 230.501 Definitions and Terms used in Regulation D, available at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=%2Findex.tpl, accessed on March 13, 2012.

[148] "Accredited Investors," U.S. Securities and Exchange Commission, October 17, 2011, available at http://www.sec.gov/answers/accred.htm, accessed on December 5, 2011.

[149] In this case I understand that a director, executive officer, or general partner could not be a member of the class.

organization, corporation, or partnership with assets exceeding $5 million; (4) a business in which all the equity owners are accredited investors; or (5) a **trust with assets in excess of $5 million**, not formed to acquire the securities offered, **whose purchases a sophisticated person makes**. [150] (emphasis added)

90. Thus in order to determine if a corporation / organization / entity investor is "accredited," one would need to know the nature of investor and the assets of the investor. I have assumed that only investors I classified as corporation / organization / entity investor that have assets exceeding $5,000,000 are accredited.[151]

91. After classifying each investor as accredited or non-accredited based on the criteria discussed above I calculated the percentages of accredited investors for each At-Issue Security. Across all At-Issue Securities, I estimate that 43 percent of investors were accredited (See Exhibit 12). On a security-by-security basis, between 32 percent and 78 percent of investors were accredited. The wide range in accredited investors by security is an indication that different At-Issue Securities attracted different investors with different levels of sophistication.

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[150] "Accredited Investors," U.S. Securities and Exchange Commission, October 17, 2011, available at http://www.sec.gov/answers/accred.htm, accessed on December 5, 2011; Title 17: Commodity and Securities Exchanges, Part 230-General Rules and Regulations, Securities Act of 1933, 230.501 Definitions and Terms used in Regulation D, available at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=%2Findex.tpl, accessed on March 13, 2012.

[151] The UBS Trade Database identifies most of the corporation / organization / entity investors as either being a corporation or some type of trust. The UBS Trade Database only explicitly identifies a few investors as being insurance companies, and it does not explicitly identify any banks, registered investment companies, business development companies, or small business investment companies. To the extent that any of the investors identified as "corporation" are actually companies such as a bank or insurance company, I may be understating the number of accredited purchasers because, the nature of their business would be sufficient to make them "accredited" even if their asset level was below $5 million. In addition, as discussed above, SEC bases its definition of accredited investor for this type of investor based on total assets of more than $5,000,000 or more for non-persons. The UBS Trade Database does not contain information on investor assets. Therefore my categorization of accredited investors relies on net worth data from the UBS Trade Database. This assumption causes me to understate the number of accredited investors because assets are always greater than or equal to net worth. (There are no investors with a reported negative net worth in the UBS Trade Database.)

92. Appendix E shows the dispersion in reported annual income and net worth among investors as well as the percentage of investors that I classify as accredited for each At-Issue Security. The variation in reported investor annual income and net worth by security provides more evidence of the likely varied levels of sophistication among the investors in the At-Issue Securities and that a large portion of the investors were sophisticated.

I declare under penalty of perjury that the foregoing is true and correct.

Walter N. Torous

Walter N. Torous, Ph.D.
April 4, 2012

Appendix A

WALTER N. TOROUS

UCLA Anderson School of Management

Office Address:

UCLA Anderson School of Management
110 Westwood Plaza
Los Angeles, CA 90095-1481
Telephone: (Office) (310) 825-4059

E-Mail walter.n.torous@anderson.ucla.edu

Home Address

328 Loring Avenue
Los Angeles, CA 90024
Telephone: (310) 234-1090

Academic Degrees

B. Math.	University of Waterloo, Statistics and Economics, 1976
Ph. D.	University of Pennsylvania, Economics, 1981

Academic Appointments

1980-81	Graduate School of Business Administration, University of Michigan, Lecturer
1981-85	Graduate School of Business Administration, University of Michigan, Assistant Professor
1986-87	Graduate School of Management, University of California, Los Angeles, Visiting Assistant Professor
1987-90	Graduate School of Management, University of California, Los Angeles, Assistant Professor
1990-95	John E. Anderson Graduate School of Management, University of California, Los Angeles, Associate Professor
1995-97	London Business School, Corporation of London Professor of Finance

1995-2006 John E. Anderson Graduate School of Management, University of California, Los Angeles, Professor

1997-2003 Director, Richard S. Ziman Real Estate Center, John E. Anderson Graduate School of Management, University of California, Los Angeles

2006- John E. Anderson Graduate School of Management, University of California, Los Angeles, Lee and Seymour Graff Endowed Professor

2009-2011 Visiting Professor
Center for Real Estate
Massachusetts Institute of Technology, Cambridge, MA

Professional Activities

Real Estate Economics,
Associate Editor, 1993 - 2005
Editor, 2006 –
Journal of Housing Economics, Associate Editor, 1991 -
Journal of Real Estate Finance and Economics, Associate Editor, 1992 -
Pacific-Basin Finance Journal, Associate Editor, 1997- 2003
Economic Notes, Associate Editor, 1999 -

Ad hoc referee for Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Banking and Finance, Journal of Business, Review of Financial Studies, Journal of Financial Economics, Journal of Money, Credit, and Banking, Management Science, Journal of Empirical Finance, Journal of International Money and Finance

Member:
American Finance Association, 1980 -
American Real Estate and Urban Economics Association, 1990 -
Western Finance Association, 1980 -
Associate Program Chair, 1990
Board of Directors, 1991-94

Refereed Publications

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13. Titman, S., and Torous, W. N., "Valuing Commercial Mortgages: An Empirical Investigation of the Contingent-Claims Approach to Valuing Commercial Mortgages," Journal of Finance, 44:2, pp. 345-373, June 1989.

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16. Haugen, R. A., Talmor, E., and Torous, W. N., "The Effect of Volatility Changes on the Level of Stock Prices and Subsequent Expected Returns," Journal of Finance, 46:8, pp. 985-1007, July 1991.

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2011 - *Mass. Bricklayers & Masons Trust Funds, et al. v. Deutsche Alt-A Securities,* et. al.; In the United States District Court for the Eastern District of New York; Civil Action No. 08-cv-03178-LDW-ARL
Provided expert report and deposition testimony.

2011 - *Public Employees' Retirement System of Mississippi, et al. v. The Goldman Sachs Group, Inc., et al.*; In the United States District Court for the Southern District of New York; Civil Action No. 09-CV-1110 (HB)
Provided expert report and deposition testimony.

2011 - *Maine State Retirement System, et al. v. Countrywide Financial Corporation, et al.*; In the United States District Court for the Central District of California; Civil Action No. 2:10-CV-00302 MRP (MAN)
Provided expert report and deposition testimony.

2011 - *City of Ann Arbor Employees' Retirement System, et al. v. Citigroup Mortgage Loan Trust, Inc., et al.*; In the United States District Court for the Eastern District of New York; Civil Action No. 08-CV-01418
Provided expert report and deposition testimony.

2011 - *In re IndyMac Mortgage-Backed Securities Litigation*; In the United States District Court for the Southern District of New York; Civil Action No. 09-CIV-04583 (LAK)
Provided expert report and deposition testimony.

2011 - *Vasili Tsereteli and Vaszurele Ltd., et. al., v. Residential Asset Securitization Trust 2006-A8, Credit Suisse Securities (USA) LLC, Moody's Investor Service, Inc., and The McGraw-Hill Companies, Inc.*; In the United States District Court for the Southern District of New York; Civil Action No. 08-CV-10637 (LAK)
Provided expert report and deposition testimony.

2010 - *New Jersey Carpenters Vacation Fund, et. al., v. The Royal Bank of Scotland Group, plc, et. al*; In the United States District Court for the Southern District of New York; Civil Action No. 08-CV-5093 (HB)
Provided expert report and deposition testimony.

2009 - *WFC Holdings Corporation v. United States of America*; In the United States District Court for the District of Minnesota; Civil Action No. 07-CV-3320-JRT-FLN
Provided expert report, deposition testimony, and trial testimony.

Appendix B

Documents Relied Upon

Academic Literature

- Bethel, Jennifer and Allen Ferrell, "Policy Issues Raised by Structured Products," *Harvard Law School John M. Olin Center for Law, Economics and Business Discussion Paper Series*, Paper 560.
- "Executive Summary—Principal Protected Notes," *Absolute Return Strategies,* AIAS Group, November 2005.
- Henderson, Brian, and Neil Pearson, "Patterns in the Payoffs of Structured Equity Derivatives," October 7, 2007.
- Messerschmitt, David G., "Creating You Own Principal Protected Security," June 2007.

Data Provided by UBS

- Account Statements of Named Plaintiffs.
- UBS Trade Database ('101264659_1.xls').

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- Factiva.
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- Financial Industry Regulatory Authority's ("FINRA") Trade Reporting and Compliance Engine ("Trace"), 2010 TRACE Fact Book.
- Interactive Data Corporation ("IDC").
- Mtn-i, Global Structured Note, Private Placement and MTN Market Coverage, available at http://globalmtn-i.com/, accessed on January 24, 2012.
- Prospect News, available at www.prospectnews.com.

Deposition Transcripts

- Deposition of Stephen P. Gott, December 15, 2011.

Legal Filings

- Declaration of Eric Glicksman, April 4, 2012.
- Memorandum of Law in Support of The Structured Product Plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Class Counsel, February 3, 2012.
- Motion to Dismiss Opinion, July 27, 2011.
- Third Amended Class Action Complaint For Violations of the Federal Securities Law, *In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK)*, April 23, 2010.

Appendix B

Prospectuses and Pricing Supplements

- Bank of America Pricing Supplement No. 418 dated July 24, 2007 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004.
- Bank of America, Pricing Supplement No. 421 dated August 27, 2007 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004.
- Bank of America Pricing Supplement No. 429 dated November 26, 2007 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004.
- Bank of America Pricing Supplement No. 435 dated December 20, 2007 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004.
- Bank of America Pricing Supplement No. 444 dated February 26, 2008 to Prospectus dated April 14, 2004 and Prospectus Supplement dated April 15, 2004.
- Deutsche Bank Pricing Supplement No. 149T dated August 28, 2007 to Prospectus dated October 10, 2006, Prospectus Supplement dated November 13, 2006 and Product Supplement T dated April 11, 2007.
- Deutsche Bank Pricing supplement No. 441C-2 dated July 28, 2008 to Prospectus dated October 10, 2006, Prospectus Supplement dated November 13, 2006 and Product Supplement C-2 dated October 24, 2007.
- HSBC Pricing Supplement dated August 28, 2008 to Prospectus dated April 5, 2006, Prospectus Supplement dated October 12, 2007 and Prospectus Addendum dated December 12, 2007.
- JP Morgan Pricing Supplement No. 1297 dated May 27, 2008 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 135-I dated May 1, 2008.
- JP Morgan Pricing Supplement No. 1325 dated June 9, 2008 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 97-II dated November 20, 2007.
- JP Morgan Pricing Supplement No. 433 dated April 27, 2007 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 17-III dated January 11, 2007.
- JP Morgan Pricing Supplement No. 419 dated April 25, 2007 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 14-II dated December 21, 2006.
- JP Morgan Pricing Supplement no. 472 dated May 24, 2007 to prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Product Supplement No. 49−II dated March 7, 2007.
- JP Morgan Pricing Supplement No. 985 dated January 31, 2008 to Prospectus dated December 1, 2005, Prospectus Supplement dated October 12, 2006 and Prospectus Supplement No. 94-I dated August 17, 2007.
- Lehman Brothers Holdings Inc. Pricing Supplement dated August 1, 2008 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Product Supplement No. 50-I dated April 4, 2008 and Underlying Supplement No. 100 dated January 28, 2008.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated December 12, 2006 and Product Supplement No. 820-I dated October 19, 2007.

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- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 and Product Supplement No. 550-I dated November 27, 2007.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 720 dated July 16, 2007 and Product Supplement No. 220-I dated March 6, 2007.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 890 dated July 26, 2007 and Product Supplement No. 220-I dated March 6, 2007.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated January 28, 2008 and Product Supplement No. 720-I dated January 28, 2008.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1100 dated January 15, 2008 and Product Supplement No. 550-I dated February 21, 2008.
- Lehman Brothers Holdings Inc. Pricing Supplement No. 1 dated September 25, 2007 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 720 dated July 16, 2007 and Product Supplement No. 190-I dated March 7, 2007.
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Appendix B

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Appendix C:

Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk

Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
2-Mar-07	Risk Management	For the quarter, we expect those firms with a more diversified set of businesses (including international markets, commodities, asset management, etc.) and less exposure to mortgages and/or a long history with good risk management, to generate stronger F1Q earnings and more attractive relative returns (including GS, LEH, and MS).	UBS Investment Research, "Capital Markets-What to Watch Monthly," March 2, 2007, p. 9. Also stated in UBS Investment Research, "U.S. Contextual Diary," March 5, 2007, p. 1.
14-Mar-07	Concentration of Credit Risk	<Christopher O'Meara [Lehman CFO and Executive VP]> In the U.S. subprime space, we have adhered to our origination standards. In terms of origination, we remain far more active in the prime and Alt-A space, which accounted for 75% of our origination volumes in the current quarter.	Lehman Brothers, "Q1 2007 Earnings Call," March 14, 2007, p. 6.
14-Mar-07	Risk Management	<Q - William Tanona [Goldman Sachs] >: Fair enough. Great. And then lastly, the VaR [Value at Risk]. Obviously you said that went up to I think 63 million. That's increased almost double from the year ago quarter. And so I just wanted to get a sense as to is that a change in your overall risk appetite? Or are you guys seeing something out there that's pretty opportunistic? And kind of just getting a general overview of your current risk tolerance? <A - Christopher O'Meara [Lehman CFO and Executive VP]>: Okay, generally, you know, we have a risk appetite in the firm that we set. This number is well within that risk appetite that actually gives us a decent amount of headroom from here, but we have adjusted the risk profile in the firm a bit and have taken the risk up a little bit particularly in equities where we do see opportunities. And we have made some adjustments in how we're approaching the business in terms of our risk taking both for clients and a little bit in the principal side. So I think this is, you know, we say 63 million on average, that is higher than the 48 million that it was in the fourth quarter. And I think it's more indicative of how we're going to run looking forward.	Lehman Brothers, "Q1 2007 Earnings Call," March 14, 2007, p. 9.
14-Mar-07	Net Leverage	Lehman Brothers (LEH.N) Consistent Growth, But Tough Comps Issues In the Quarter 1) Non-comp expenses up 6% q/q; 2) Headcount up 4.5% seq and 18% y/y; 3) Total i-banking revs fell 1% seq and up just 2% y/y; and 4) Leverage ratio is rising.	UBS Investment Research, "Global FIG Leaf - US Edition," March 14, 2007, p. 3.
15-Mar-07	Risk Management	To be fair, while Lehman's diversification and risk management abilities clearly showed during the quarter, this disclosure obviously doesn't include Alt-A or any portion of CDO-land that stands to be partially impacted. For what it's worth, management also had reasonably optimistic outlook commentary related to the rest of the global economy, M&A and equity underwriting pipelines, and overall liquidity levels (similar to Goldman's comments).	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Lehman Brothers, Growth Story Continues Despite Headwinds," March 15, 2007, p. 2. Also stated in UBS Investment Research, "US Morning Research Notes," March 15, 2007, p. 71.
15-Mar-07	Concentration of Credit Risk	The Overall Growth Story Remains Intact. ...Despite near-term concerns, we continue to think that LEH's longer-term growth story is intact as it continues to build out overseas, banking pipelines are healthy, the revenue mix has become far more diversified, and management's execution track record is strong.	UBS Investment Research, "US Morning Research Notes," March 15, 2007, p. 70.

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Date	Topic	Excerpt	Source
11-Apr-07	Risk Management	Protecting the downside: Lehman's culture of risk management starts with the CEO. Mr. Fuld continually looks at what can go wrong, reflecting his attitude that he is the chief risk officer. When commenting on Lehman's market share gains in the past, he stressed that this was yesterday's news. When it comes to culture, he is still vigilant against protecting against 'arrogance.' We sense that Lehman would like to buy more asset managers (like another Neuberger Berman) or mortgage platforms, but is sensitive to price. The bottom line is that the CEO seems involved in ensuring that potential upside justifies major risks that are taken. One concept that he shared involved 'probes', or what the CEO termed as taking 5%-10% positions (of capital available to put to work) in order to ease into a new area and gain a level of comfort, reflecting a piece-by-piece approach to expansion.	Deutsche Bank, "Lehman Brothers Holding, Initiating Coverage with a Buy Rating," April 11, 2007, p. 5. Also stated in Deutsche Bank, "Lehman Brothers Holding, Meeting w/CEO," May 1, 2007, p. 6.
11-Apr-07	Concentration of Credit Risk	Leveraged to mortgage banking: Lehman has one of the largest vertically-integrated mortgage operations. If there is a fallout in this segment beyond subprime, Lehman could feel the impact disproportionately.	Deutsche Bank, "Lehman Brothers Holding, Initiating Coverage with a Buy Rating," April 11, 2007, p. 6. Also stated in Deutsche Bank, "Lehman Brothers Holding, Meeting w/CEO," May 1, 2007, p. 7.
25-Apr-07	Risk Management	Merrill and Citi led the group in productivity, with their ratios coming in above 300 times, while Lehman lagged the group, though its productivity was still above 200 times. That said, the methods in calculating VAR [Value at Risk] vary by firm, are based on assumptions by management, and are not standardized, therefore, we recommend looking at this data with more than a few grains of salt.	Schorr, Glenn, and Michael Carrier, UBS Investment Research, "Slicing and Dicing the Brokers," April 25, 2007, pp. 3-4.
30-Apr-07	CUSIP: 52517PX63 Principal Issued: $18,900,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Lehman Brothers Holdings Inc. Pricing Supplement No. 166 dated April 23, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
30-Apr-07	CUSIP: 52520W515 Principal Issued: $23,000,000 Description: Performance Securities with Partial Protection Linked to a Global Index Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 3 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Product Supplement No. 190-I dated March 7, 2007 and Underlying Supplement No. 720 dated March 7, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
17-May-07	Risk Management	Chief Financial Officer Chris O'Meara presented for Lehman Brothers and his remarks focused on the continued progress and execution of Lehman's growth strategy, where management sees opportunities, what is driving growth, and why the brokers, and Lehman in particular, deserve higher valuations. Here are some key takeaways: -Lehman's revenues have become more diversified over time, as non-FICC revenues in 1Q07 totaled more than total firm revenues in 2003. FICC accounted for 44% of the total pie in 1Q07, down from 50% in 2003. -Despite ongoing issues in subprime, Lehman has not really seen a spill over into alt-A mortgages, and origination volumes have actually ticked up a bit lately as rates have come down, but securitization spreads have narrowed so profitability is not as healthy as it was. -In the Q&A session, O'Meara noted that deal terms in the leveraged finance space have been moving in favor of the sponsors lately and that Lehman (along with the other brokers) needs to walk a fine line between serving very important clients and managing risks that are appropriate. So far, Lehman has done a great job pulling off this balancing act.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "UBS FIG Conference Wrap Up," May 17, 2007, pp. 5-6.
30-May-07	Concentration of Credit Risk	As a quick comment on the quarter, we think LEH is particularly interesting, as we feel investors may be overly emphasizing the softness in the mortgage business and losing sight of what seems to be very strong results/progress for their equity and banking businesses. We think the build out in Europe and Asia is helping this.	UBS Investment Research, "US Morning Research Notes," May 30, 2007, p. 95.
31-May-07	CUSIP: 52520W440 Principal Issued: $12,997,600 Description: 100% Principal Protection Notes Linked to a Currency Basket		Pricing Supplement No. 219 dated May 24, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Date	**Topic**	**Excerpt**	**Source**
12-Jun-07	Risk Management	<A - Christopher O'Meara [Lehman Executive VP and CFO]>: ...But certainly it is a risk business and the increase in VaR [Value at Risk] is reflective of the growth of the firm including getting into new markets outside the U.S.	Lehman Brothers, "Q2 2007 Earnings Call," June 12, 2007, p. 14.
12-Jun-07	Concentration of Credit Risk	<Q - Guy Moszkowski [Merrill Lynch]>: And can you give us a sense for what decline you saw in mortgage origination versus the first quarter and versus a year ago? And it would be particularly helpful if you could break that up into subprime Alt-A on the one – and Alt-A on the one hand versus more agency stuff on the other. <A - Christopher O'Meara [Lehman Executive VP and CFO]>: Okay. Just if, if we take the originations, we originated in the period 17 billion, and that's up a bit from the 15 and change billion that we originated actually in both benchmark periods. And so if you look at the first quarter, for example, on subprime we originated about just under 4 billion and we had roughly the same in the second quarter. So subprime origination volume was about the same and then Alt-A is the bigger component of what we issue – or what we originate, so the combination of Alt-A and outside the US was the remainder, but with the lion's share of it in Alt-A.	Lehman Brothers, "Q2 2007 Earnings Call," June 12, 2007, p. 9.
17-Jun-07	Risk Management	As far as risk appetite and the tick up in the equity risk over the course of the quarter, we're in the risk business. And I think as the evolving equity markets continue to change and we play in that in servicing client flow we certainly serve as a principal and risk taker around client flow. And our objective is to try to intermediate that and take out small spreads out of lots of transactions. But certainly it is a risk business and the increase in VaR is reflective of the growth of the firm including getting into new markets outside the U.S.	Lehman Brothers, "Q2 2007 Earnings Call," June 12, 2007, p. 14.
28-Jun-07	Risk Management	Market and credit risks are managed to minimize risk of loss. Lehman's market risk appetite is in the mid range of peers based on Fitch calculations.	"Fitch Upgrades Lehman Brothers Holdings' L-T IDR to 'AA-,'" *Dow Jones & Co., Inc.* , June 28, 2007.
29-Jun-07	CUSIP: 52517P2P5 Principal Issued: $13,240,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Lehman Brothers Holdings Inc. Pricing Supplement No. 264 dated June 22, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
10-Jul-07	Concentration of Credit Risk	Owned mortgages and mortgage-backed positions of $79.634 billion at May 31, 2007 and $57.726 billion at November 30, 2006 included approximately $14.7 billion and $5.5 billion at May 31, 2007 and November 30, 2006, respectively, of mortgage loans for which the Company is not at risk. These loans, which have been sold to securitization trusts, do not meet the sale criteria under SFAS 140, and the investors in the trusts have no recourse to our other assets for failure of the borrowers to the underlying loans to pay when due.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2007, filed July 10, 2007, p. 17.

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Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
10-Jul-07	Concentration of Credit Risk	Lehman reported Mortgage and mortgage-backed positions unrealized losses of $459 million.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2007, filed July 10, 2007, p. 21.
10-Jul-07	Concentration of Credit Risk	We also use stress testing to evaluate risks associated with our real estate portfolios which are non-financial assets and therefore not captured in VaR. As of May 31, 2007, we had approximately $15.9 billion of real estate investments; however our net investment at risk was limited to $12.5 billion as a portion of these assets have been financed on a non-recourse basis. As of May 31, 2007, we estimate that a hypothetical 10% decline in the underlying property values associated with these investments would result in a net revenue loss of approximately $700 million.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2007, filed July 10, 2007, p. 75.
31-Jul-07	CUSIP: 52517P3H2 Principal Issued: $6,257,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Pricing Supplement No. 307 dated July 25, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
14-Aug-07	Concentration of Credit Risk	Yet Lehman is seen as taking more risk than Bear Stearns. And in the current environment, Lehman may be paying a price for its relative silence about its exposure to troubled mortgages and high-risk debt.	Horowitz, Jed, "Lehman Keeps Out of Headlines, But Stays in Market's Crosshairs," *Dow Jones News Service* , August 14, 2007.
14-Aug-07	Concentration of Credit Risk	Yet it was Lehman's stock that plunged 6.3% Tuesday to $53.67 - a two-year low - cementing a $15 billion drop in market capitalization in less than two months. Tuesday's drop was triggered by speculation losses might be mounting at Aurora Loan Services, the Lehman mortgage subsidiary that specializes in so-called Alt-A loans to borrowers who can't fully document their income or assets. Aurora fuels much of Lehman's mortgage-backed securities banking and trading products and is in the process of incorporating a separate affiliate that makes loans to borrowers with poor credit.	Horowitz, Jed, "Lehman Keeps Out of Headlines, But Stays in Market's Crosshairs," *Dow Jones News Service* , August 14, 2007.
14-Aug-07	Risk Management/ Concentration of Credit Risk	At the same time, trading revenues decreased 10% on average for the peer group, which resulted in decreased trading productivity, and no firm's trading productivity ratio came in above 300 times. Morgan Stanley displayed the highest trading productivity ratio at 251 times, while Lehman generated the lowest at 184 times. That said, the methods used to calculate VAR vary by firm, are based on management assumptions, and are not standardized. Therefore, we recommend looking at this data with more than a few grains of salt.	Schorr, Glenn, and Michael Carrier, UBS Investment Research, "Slicing and Dicing the Brokers," August 14, 2007, p. 3.
23-Aug-07	Concentration of Credit Risk	Problems in the mortgage market claim two more victims. Lehman Brothers said it will close its subprime lending unit and cut 1200 jobs.	CBS "SHOW: CBS Morning News 6:30 AM EST," Speaker: Alexis Christoforous, Reporter, August 23, 2007.

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Date	Topic	Excerpt	Source
29-Aug-07	Concentration of Credit Risk	Lehman has committed about $16 billion to finance upcoming leveraged buyouts - more than Merrill and Bear Stearns and greater as a percent of its balance sheet than the $20 billion of loan commitments at Goldman Sachs and Morgan Stanley - according to estimates by Citigroup analyst Prashant Bhatia.	Horowitz, Jed, "Tales of the Tape: The Bullish View on Lehman's Slump," *Dow Jones News Service* , August 29, 2007.
29-Aug-07	Risk Management	Even if some large deals fizzle - or go through and constrain lenders' balance sheets - investors may be overestimating Lehman's vulnerability and underestimating its savvy, say some analysts. 'Their leveraged loan book is misunderstood because people don't understand how much of their commitments have already been sold and the quality of their risk mitigation,' said David Trone, an analyst at Fox-Pitt, Kelton, who rates the stock at outperform.	Horowitz, Jed, "Tales of the Tape: The Bullish View on Lehman's Slump," *Dow Jones News Service* , August 29, 2007.
29-Aug-07	Concentration of Credit Risk	But Lehman is less than half the size of rivals Goldman Sachs Group Inc. (GS), Merrill Lynch & Co. (MER) and Morgan Stanley (MS), making its exposure to leveraged buyout loans and troubled residential mortgages more of a concern than at its bigger rivals.	Horowitz, Jed, "Tales of the Tape: The Bullish View on Lehman's Slump," *Dow Jones News Service* , August 29, 2007.
31-Aug-07	CUSIP: 52522L889 Principal Issued: $16,946,020 Description: 100% Principal Protection Notes Linked to a Global Index Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 720 dated July 16, 2007 and Product Supplement No. 220-I dated March 6, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
31-Aug-07	CUSIP: 52522L186 Principal Issued: $8,238,780 Description: 100% Principal Protection Notes Linked to an International Index Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 890 dated July 26, 2007 and Product Supplement No. 220-I dated March 6, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Date	Topic	Excerpt	Source
4-Sep-07	Concentration of Credit Risk	At the same time, investors are wondering how Lehman will fare in its leveraged-financing efforts, a business that skyrocketed during the buyout euphoria of recent years but is now under pressure as the cost of borrowing rises. Lehman has debt commitments for a number of significant deals, including portions of the $32 billion sale of Texas utility TXU Corp., and the $26 billion sale of payment processor First Data Corp. as well as its own $15 billion purchase, along with a partner, of the real-estate trust Archstone-Smith. Normally, Lehman would raise that debt from a variety of outside investors. But investors recently have shied away from such deals or demanded higher interest rates, and that could leave Lehman and other banks to fund the deals themselves. As a result, in a worst-case scenario, Lehman could be stuck holding as much as $25 billion to $30 billion in client-deal financing, say people who have been briefed on the matter.	Kelly, Kate and Susanne Craig, "It's Déjà vu for Lehman Stock—Earnings Outlook is Behind the Sell off this Year," *The Wall Street Journal* , September 4, 2007.
5-Sep-07	Risk Management/ Concentration of Credit Risk	With all that said, relative to current expectations, we think Lehman has the potential to positively surprise as we think investors have overly beaten the stock down related to its sizeable mortgage and leveraged lending exposure and have not given the company enough credit in terms of both risk management, and the great job it has done in diversifying the company by both product and geography (remember the past two quarters' strong results were fueled by equities and banking and non-US).	UBS Investment Research, "Capital Markets-What to Watch Monthly," September 5, 2007, p. 7. Also stated in UBS Investment Research, "U.S. Contextual Diary," September 14, 2007, p. 9.
5-Sep-07	Concentration of Credit Risk	With all that said, given the rough move down in Lehman's stock, we see the shares as reasonably attractive as all this could add up to a 15-16% ROE if we're close to being right—not bad for the company that's "too concentrated in mortgages and leveraged lending" (so says the market).	UBS Investment Research, "Capital Markets-What to Watch Monthly," September 5, 2007, p. 9.
6-Sep-07	Concentration of Credit Risk	Financials and homebuilders were the hardest hit with Citigroup down 2.5%, JPM down 2.32% and Morgan Stanley down over 2%, whilst 3Q earnings estimates for Lehman and Citigroup were cut following concern their profits will decline because of losses tied to subprime mortgages.	Hope, Lee and Stephen Gough et al., UBS Investment Research, "European High Yield Morning Highlights," September 6, 2007, p. 6.
11-Sep-07	Risk Management	Managing Through the Storm. ...We Recently Met With Dick Fuld & Dave Goldfarb. ...Despite the tough operating environment, mgmt remains pretty confident in LEH's ability to weather the current financial storm as they remain focused on risk & liquidity management, and feel that Lehman's franchise has ample product and geographic diversification to offset some of the slowdown in mortgage and areas in credit such as leveraged lending. ...In our view, we think Lehman (and the brokers in general) can better handle the current issues compared to past cycles as their balance sheet is much stronger, they have ample liquidity, and risk management capabilities have vastly improved over the last decade.	UBS Investment Research, "Morning Expresso - United States," September 11, 2007, p. 3.
18-Sep-07	Concentration of Credit Risk	<Christopher O'Meara [Lehman CFO]>: ...On the one side relating to assets and lending commitments, we recorded very substantial valuation reductions, most significantly in leveraged loan commitments and residential mortgage related positions. These losses were partly offset by large valuation gains on the other side, related to economic hedges, short positions and liabilities. We estimate that the result of these valuation items in the third quarter was a net reduction in revenues of approximately $700 million.	Lehman Brothers, "Q3 2007 Earnings Call," September 18, 2007, p. 4.

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Date	Topic	Excerpt	Source
18-Sep-07	Concentration of Credit Risk	<Christopher O'Meara [Lehman CFO]>: …The amount of our U.S. subprime mortgage inventory at quarter-end was 6.3 billion, which includes those amounts we have sold to third parties, but have to gross up under FAS 140. I'm sorry it excludes – the 6.3 excludes those amounts we have sold to third parties but have to gross up under FAS 140. Of the 6.3 billion of subprime assets, 5.4 billion is whole loan inventory, the vast majority of which was originated within the last six months. And of the remaining 900 million, 230 million are below investment-grade securities and the rest are investment-grade securities. At quarter end, we had in total approximately 1.6 billion of non-investment-grade interest in residential mortgage securitizations, including the 230 million in subprime I just mentioned. This is down slightly from the second quarter level.	Lehman Brothers, "Q3 2007 Earnings Call," September 18, 2007, p. 7.
18-Sep-07	Risk Management/ Concentration of Credit Risk	<Christopher O'Meara [Lehman CFO]>: …On the leverage loan side, we did take very significant hits as we've mentioned, maybe we size that by saying that they were in excess of $1 billion and not a small amount in excess of $1 billion, how about that. Not 50 or a $100 million more, but I don't want to give the details of it, it may put us in a position where some investors might try to figure out what those marks are, and we don't want that, we want to competitively keep that to ourselves. But they were significant and we are marked at the current market.	Lehman Brothers, "Q3 2007 Earnings Call," September 18, 2007, p. 9.
19-Sep-07	Risk Management	A Bit of A Report Card on Risk Management. ...We think mgmt's adamant commentary & the $700m net revenue reduction related to leveraged lending & mortgages partially helped LEH earn back some investor confidence. ...We think LEH is attractively priced and think they can grow book at a pretty reasonable clip, generate ROEs in the mid-to-upper-teens, & continue to manage risk effectively.	UBS Investment Research, "Morning Expresso - United States," September 19, 2007, p. 3. Also stated in UBS Investment Research, "Morning Expresso - Asia," September 20, 2007, p. 5.
20-Sep-07	Net Leverage	I hope they bring that leverage down a little bit over the next few quarters as they are able to sell off deals, if it takes some of the small losses, because it leaves them vulnerable to another sort of liquidity crisis like we saw last month.	inewsnetwork, Global Broadcast Database, "SHOW: 7:10 PM BBUS," Speaker: James Ellman, September 20, 2007.
28-Sep-07	CUSIP: 52517P5K3 Principal Issued: $4,680,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Lehman Brothers Holdings Inc. Pricing Supplement No. 409 dated September 25, 2007 to Prospectus dated May 30, 2006 and Prospectus Supplement dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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28-Sep-07	CUSIP: 52522L244 Principal Issued: $21,821,000 Description: Performance Securities with Partial Protection Linked to a Global Index Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 720 dated July 16, 2007 and Product Supplement No. 190-I dated March 7, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
10-Oct-07	Concentration of Credit Risk	Owned mortgages and mortgage-backed positions of $88.007 billion at August 31, 2007 and $57.726 billion at November 30, 2006 included approximately $13.6 billion and $5.5 billion at August 31, 2007 and November 30, 2006, respectively, of mortgage loans transferred to securitization trusts; however, the transactions did not meet the sale requirements of SFAS 140, and therefore have not been derecognized. The trusts to which the loans were transferred issued non-recourse financings and accordingly the investors in the trusts generally have no recourse to our other assets in the event the borrowers to the underlying loans fail to fulfill the terms of the lending contracts.	Lehman Brothers, Form 10-Q for the Quarterly Period Ended August 31, 2007, filed October 10, 2007, p. 17.
10-Oct-07	Concentration of Credit Risk	At August 31, 2007, other interests in securitizations included approximately $3.2 billion of investment grade commercial mortgages and approximately $0.1 billion of non-investment grade commercial mortgages. At November 30, 2006, other interests in securitizations included approximately $0.6 billion of investment grade commercial mortgages.	Lehman Brothers, Form 10-Q for the Quarterly Period Ended August 31, 2007, filed October 10, 2007, p. 23.
10-Oct-07	Concentration of Credit Risk	Results in our commercial real estate business were also weaker due to widening in credit spreads and lower asset sale activity during the period.	Lehman Brothers, Form 10-Q for the Quarterly Period Ended August 31, 2007, filed October 10, 2007, p. 55.
10-Oct-07	Concentration of Credit Risk	In addition, through our mortgage origination platforms we make commitments to extend mortgage loans. At August 31, 2007 and November 30, 2006, we had outstanding mortgage commitments of approximately $12.4 billion and $12.2 billion, respectively. These commitments included $7.2 billion and $7.0 billion of residential mortgages at August 31, 2007 and November 30, 2006, respectively, and $5.2 billion of commercial mortgages at both comparative periods.	Lehman Brothers, Form 10-Q for the Quarterly Period Ended August 31, 2007, filed October 10, 2007, p. 70.
10-Oct-07	Concentration of Credit Risk	We also use stress testing to evaluate risks associated with our real estate portfolios which are non-financial assets and therefore not captured in VaR. As of August 31, 2007, we had approximately $20.0 billion of real estate investments; however our net investment at risk was limited to $12.9 billion as a portion of these assets have been financed on a non-recourse basis. As of August 31, 2007, we estimate that a hypothetical 10% decline in the underlying property values associated with the non-syndicated investments would result in a net revenue loss of approximately $976 million.	Lehman Brothers, Form 10-Q for the Quarterly Period Ended August 31, 2007, filed October 10, 2007, p. 78.

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Date	Topic Excerpt	Source
31-Oct-07	CUSIP: 52520W341 Principal Issued: $32,861,710 Description: Medium-Term Notes, Series I, 100% Principal Protection Notes Linked to an Asian Currency Basket	Lehman Brothers Holdings Inc. Pricing Supplement No. 472 dated October 25, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
31-Oct-07	CUSIP: 52522L335 Principal Issued: $52,814,490 Description: Return Optimization Securities Linked to the S&P 500 Index	Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 120 dated July 16, 2007, Underlying Supplement No. 100 dated December 12, 2006, Underlying Supplement No. 940 dated September 21, 2007, Underlying Supplement No. 160 dated January 11, 2007 and Product Supplement No. 780-I dated September 21, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Date	Topic	Excerpt	Source
31-Oct-07	CUSIP: 52522L319 Principal Issued: $11,876,070 Description: Return Optimization Securities Linked to the Nasdaq-100 Index		Lehman Brothers Holdings Inc., Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 120 dated July 16, 2007, Underlying Supplement No. 100 dated December 12, 2006, Underlying Supplement No. 940 dated September 21, 2007, Underlying Supplement No. 160 dated January 11, 2007 and Product Supplement No. 780-I dated September 21, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
31-Oct-07	CUSIP: 52522L293 Principal Issued: $38,850,000 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated December 12, 2007 and Product Supplement No. 550-I dated September 21, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
1-Nov-07	Risk Management	Valuation for Lehman is very attractive relative to peers given its solid risk management and global footprint.	UBS Wealth Management Research, "U.S. Top 25 Stock List, November Update," November 1, 2007, p. 6.
13-Nov-07	Risk Management	We Recently Met With Lehman to Discuss Risk Management. ...The meeting provided some interesting detail about Lehman's very dynamic and integrated risk management infrastructure, and we came away confident that Lehman has negligible CDO exposure, has not been a user of SIVs or conduits for financing itself, and that they are using pretty conservative assumptions (like a 25% cum loss & 50% severity) to value its $6 bn subprime mortgage exposure.	UBS Investment Research, "Morning Expresso - United States," November 13, 2007, p. 5.

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Date	Topic	Excerpt	Source
13-Nov-07	Risk Management/ Concentration of Credit Risk	While Lehman's not impervious to market conditions, we came away from the meeting with further confidence about Lehman's risk management infrastructure and its limited exposure to the “really bad” stuff. We're not saying there'll be no hits along the way, just that we think they'll be manageable & a lot smaller than most peers.	UBS Investment Research, "Morning Expresso - United States," November 13, 2007, p. 5.
14-Nov-07	Concentration of Credit Risk	Lehman Brothers Holdings Inc. (LEH), which wrote off more than $1 billion of leveraged-buyout loans in its fiscal third quarter, has reduced its loan commitments by about $17 billion since the end of the quarter in August, an executive said Wednesday.	Horowitz, Jed, "Update: Lehman Reduced Loans By $17B Since End of 3Q," *Dow Jones News Service*, November 14, 2007.
14-Nov-07	Concentration of Credit Risk	Lehman ended the third quarter with $27 billion of leveraged-loan commitments, but has reduced that to about $10 billion currently, said Ian Lowitt, the company's co-chief administrative officer, at a Merrill Lynch conference.	Horowitz, Jed, "Update: Lehman Reduced Loans By $17B Since End of 3Q," *Dow Jones News Service*, November 14, 2007.
20-Nov-07	Risk Management	To measure its market risk, Lehman uses a variety of tools, including stress tests, scenario analysis, and end-of-day historical simulation value-at-risk (VaR) estimated at a 95% confidence level over a one-day horizon. The firm's aggregate VaR (net of diversification benefit) for third-quarter 2007 was $96 million, which was double that for the year ended Nov. 30, 2006, but less than 1% of Lehman's adjusted total equity (ATE). The increase was primarily due to a progression in interest rate trading (interest rate risk represented 53% of gross VaR at Aug. 31, 2007), but also due to greater market volatility, which increased risk across multiple businesses. Daily net trading losses exceeded historical simulation VaR three times during the quarter ended Aug. 31, 2007. VaR has its limitations, however, as it does not take into account risks on future positions, nor does it capture risk on positions that can neither be liquidated nor hedged within one day. On a broader perspective, Lehman analyzes the distribution of its daily trading net revenues over time, which incorporates the results of nearly all of its trading activities and risks, including market, credit, and event risk. Based on actual daily trading net revenues over the previous 250 trading days at a 95% confidence level, there is a one-in-20 chance that actual daily trading revenues could decline by an amount in excess of the reported revenue volatility measure. The firm's average revenue volatility, net of diversification, for third-quarter 2007 was $44 million. The largest loss in Lehman's daily trading net revenues on any single day during the quarter was $116 million.	Standard & Poor's, "Lehman Brothers Holdings Inc." November 20, 2007.
20-Nov-07	Concentration of Credit Risk	We believe that Lehman's current exposure to leveraged and other lending and financing commitments is manageable based on the group's funding strategy, which we consider sufficient to meet the firm's obligations over the next 12 months.	Standard & Poor's, "Lehman Brothers Holdings Inc." November 20, 2007.

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Date	Topic	Excerpt	Source
30-Nov-07	CUSIP: 52520W333 Principal Issued: $53,027,100 Description: Medium-Term Notes, Series I, 100% Principal Protection Notes Linked to an Asian Currency Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 548 dated November 27, 2007 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
30-Nov-07	CUSIP: 52522L459 Principal Issued: $29,713,150 Description: Return Optimization Securities with Partial Protection Linked to the S&P 500 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated December 12, 2006 and Product Supplement No. 820-I dated October 19, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
13-Dec-07	Net Leverage	<Christopher O'Meara [Lehman Global Head of Risk Management]>: ...On a gross basis, these valuation changes reduced revenues by approximately 3.5 billion, including 2.2 billion from our residential mortgage business. We had gains on hedges of about $2 billion, which reduced the aggregate revenue impact from 3.5 billion negative to 1.5 billion negative.	Lehman Brothers, "Q4 2007 Earnings Call," December 13, 2007, p. 4.
13-Dec-07	Net Leverage	<Christopher O'Meara [Lehman Global Head of Risk Management]>: ...We ended the quarter with a net leverage ratio of approximately 16.1 times, in line with last quarter, and our average historical simulation value-at-risk increased to 124 million in the current period reflecting higher volatility in interest rates and equities and greater correlations over the period.	Lehman Brothers, "Q4 2007 Earnings Call," December 13, 2007, p. 5.
14-Dec-07	Risk Management	LEH delivered better-than-expected 4Q earnings suggesting that the firm has done reasonably well managing its risk this year.	Bory, George, and Kevin McCarthy et al., UBS Investment Research, "US Credit Compass," December 14, 2007, p. 4.

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Date	Topic	Excerpt	Source
14-Dec-07	Risk Management	Solid Risk Mgmt, But Tough Environment. ...LEH Posted EPS of $1.54, Ahead of Our/Street Estimates of $1.40/$1.42 While there were some gains/benefits ($500mm GLG, $320mm FAS 159) in 4Q that make the $1.54 EPS/16.6% ROE seem a bit rosy, keep in mind that LEH also had $3.5bn in gross ($830mm net) write-owns, so we think LEH's execution & risk mgmt in this difficult operating environment should not be understated.	UBS Investment Research, "Morning Expresso - United States," December 14, 2007, p. 2.
14-Dec-07	Concentration of Credit Risk	While Lehman, the No. 1 underwriter of subprime-related securities in 2006, avoided the huge write-downs that have pummeled some of its rivals, the company did not emerge unscathed from the credit crisis sweeping Wall Street. It took an $830 million write-down related to residential and commercial mortgages, complex debt instruments and other securities. The gross write-down -- what it would have been if the firm had not hedged some positions and sold others -- was $3.5 billion. ...Lehman says it now holds roughly $40 billion worth of residential mortgages and $40 billion of commercial mortgages, including about $1 billion in asset-backed collateralized debt obligations, complex and highly leveraged securities whose drop in value upended many Wall Street banks.	Anderson, Jenny, "Lehman's Earnings Fall 12% in a Season That Could Have Been Worse," *The New York Times* , December 14, 2007.
2-Jan-08	Risk Management	Underappreciated recent strong execution and risk management. Valuation is very attractive, especially relative to peers, given its solid risk management and increasing global footprint.	Zirin, Jeremy, and Joseph Sawe, UBS Wealth Management Research, "U.S. Top 25 Stock List, January Update," January 2, 2008, p. 5.
9-Jan-08	Risk Management	The Stock: LEH shares decreased 16% in 2007, while its four peers declined 25%, on average. Compared to three of its peers, Lehman's earnings were much stronger in 2007, reflecting the absence of massive write-downs, thanks largely to Lehman's effective risk management. We continue to expect LEH shares to outperform against its peers in 2008, and view it as having the best risk/reward among the five bulge names.	Trone, David, Ivy De Dianous, and Steven Fu, US Investment Banks and Brokers, "U.S. Investment Banks and Brokers 2008 Outlook," Fox-Pitt Kelton Cochran Caronia Waller, January 9, 2008, p. 26.
9-Jan-08	Concentration of Credit Risk	All you have to do is look at the top underwiriters of commercial mortgage backed obligations and mortgage-backed securities and you see Lehman at $115 billion approximate, Morgan Stanley, 93, Bear Stearns, 86, JP Morgan, 80, and Goldman Sachs, and I threw in Wachovia with $29 billion. I'll tell...you why in a minute, but Lehman Brothers, from what I understand, holds $40 billion of those securities on its books. Here you see Lehman Brothers trading off with a lot of the other financials and that, I hear, could be a problem for Lehman going forward. A lot of analysts say that when that market starts to teeter, I don't think it will be as bad as the subprime market and that's when Lehman which has escaped all this, that's when Lehman could be in the crosshairs as well. It's not as bad as subprime. Commercial real estate is a surer market, but if we do have a recession, Lehman Brotherses [sic] will take it on the chin with these.	inewsnetwork, Global Broadcast Database, "SHOW: 1:15 PM CNBC," Speaker: Charlie Gasparino, On-Air Editor, January 9, 2008.
15-Jan-08	Net Leverage	Lehman suffered from less positive operating leverage than peers in 2006, because it was plowing its FICC bounty into global equity expansion, which is now paying dividends in the form of rapid share gains in overseas markets. Mgmt believes Lehman can continue to outgrow both the cash and derivatives markets.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, LEH: Meetings w/Mgmt Reinforce our Relative Confidence," Fox-Pitt Kelton Cochran Caronia Waller, January 15, 2008, p. 1.

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Date	Topic	Excerpt	Source
29-Jan-08	Concentration of Credit Risk	Recently, the residential real estate market in the U.S. has experienced a significant downturn due to declining real estate values, substantially reducing mortgage loan originations and securitizations, and precipitating more generalized credit market dislocations and a significant contraction in available liquidity globally, which negatively impacted our revenues...Further declines in real estate values in the U.S. or elsewhere and continuing credit and liquidity concerns could further reduce our level of mortgage loan originations and securitizations and increase our mortgage inventory while adversely affecting its value. In addition, continued or further credit market dislocations or sustained market downturns may reduce client flow revenues and adversely affect the value of our inventory in other businesses.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 15.
29-Jan-08	Net Leverage	Risks Relating to Off-Balance Sheet Entities-In the normal course of our business, we enter into various transactions with special purpose entities ("SPEs"). We do not consolidate certain SPEs in which we do not have a controlling financial interest as defined under applicable accounting standards. When we do not consolidate an entity, we either present our investment in the entity at fair value or apply the equity method of accounting.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 18.
29-Jan-08	Concentration of Credit Risk	The adverse conditions in the U.S. housing market, changes in the credit markets and continued correction in leveraged loan pricing and certain asset-backed security market segments were generally responsible for the negative variance in Capital Markets—Fixed Income revenues between the benchmark periods.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 48.
29-Jan-08	Concentration of Credit Risk	Real estate held for sale. We invest in real estate through direct investments in equity and debt. We record real estate held for sale at the lower of its carrying amount or fair value less cost to sell. The assessment of fair value less cost to sell generally requires the use of management estimates and generally is based on property appraisals provided by third parties and also incorporates an analysis of the related property cash flow projections. We had real estate investments of approximately $21.9 billion and $9.4 billion at November 30, 2007 and 2006, respectively. Because portions of these assets have been financed on a non-recourse basis, our net investment position was limited to $12.8 billion and $5.9 billion at November 30, 2007 and 2006, respectively.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 61.
29-Jan-08	Concentration of Credit Risk	Real estate investments are not financial instruments and therefore not contemplated within the VaR calculation. We use stress testing to evaluate risks associated with our real estate portfolios. As of November 30, 2007, we had approximately $21.9 billion of real estate investments; however, our net investment at risk was limited to $12.8 billion as a portion of these assets have been financed on a non-recourse basis. As of November 30, 2007, we estimate that a hypothetical 10% decline in the underlying property values associated with the non-syndicated investments would have resulted in a net revenue loss of approximately $980 million.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 71.

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Date	Topic	Excerpt	Source
29-Jan-08	Concentration of Credit Risk	At November 30, 2007, Residential and Asset Backed Whole Loans, Securities, Servicing, and Other were $19,587 million, $16,488 million, $1,183 million, and $86 million, respectively. Commercial Whole Loans, Securities and Other were $26,200 million, $12,180 million, and $558 million, respectively. Residential and Asset Backed Securities includes approximately $7.1 billion of investment grade retained interests in securitizations and approximately $1.6 billion of non-investment grade retained interests in securitizations. Commercial Securities includes approximately $2.4 billion of investment grade retained interests in securitizations and approximately $0.03 billion of non-investment grade retained interests in securitizations.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 104.
29-Jan-08	Concentration of Credit Risk	At November 30, 2006, Residential and Asset Backed Whole Loans, Securities, Servicing, and Other were $18,749 million, $7,923 million, $829 million, and $16 million, respectively. Commercial Whole Loans, Securities and Other were $22,426 million, $1,948 million, and $351 million, respectively. Residential and Asset Backed Securities includes approximately $5.3 billion of investment grade retained interests in securitizations and approximately $2.0 billion of non-investment grade retained interests in securitizations. Commercial Securities includes approximately $0.6 billion of investment grade retained interests in securitizations.	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 104.
29-Jan-08	Concentration of Credit Risk	Lending Commitments (expiration per period at November 30): 2008- High Grade: $5,579, High Yield: $4,051; 2009-High Grade: $1,039, High Yield: $411; 2010-2011 High Grade: $6,554, High Yield: $4,850; Later - High Grade: $403, High Yield: $2,658. Total Contractual Amount (November 30): 2007- High Grade: $23,986, High Yield: $14,073; 2006- High Grade: $17,945, High Yield: $7,558	Lehman Brothers Holdings Inc., Form 10-K for the fiscal year ended November 30, 2007, filed January 29, 2008, p. 119.
31-Jan-08	CUSIP: 52517P4N8 Principal Issued: $20,373,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Lehman Brothers Holdings Inc. Pricing Supplement No. 623 dated January 25, 2008 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Date	Topic	Excerpt	Source
31-Jan-08	CUSIP: 52520W325 Principal Issued: $15,000,000 Description: 100% Principal Protection Notes Linked to an Asian Currency Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 625 dated January 28, 2008 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
31-Jan-08	CUSIP: 52522L525 Principal Issued: $77,681,740 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 and Product Supplement No. 550-I dated November 27, 2007; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
6-Feb-08	Risk Management	Risk management and appetite… Lehman demonstrated and thereby differentiated itself in terms of risk management expertise in 2007. Confidence in risk management (culture, employee development, active CEO focus and integration into the business units drive Lehman's success) and opportunities in the marketplace are driving a modest increase in risk appetite in 2008.	Katzke, Susan Roth and Ross Seiden, “Lehman Brothers, Credit Suisse Fin’l Services Forum Highlights,” Credit Suisse - Americas/United States Equity Research, February 6, 2008, p. 1.
6-Feb-08	Concentration of Credit Risk	With respect to mortgage… there has been concern with respect to Lehman's $90Bn residential and commercial exposures; that exposure is largely unchanged since year-end. Management provided new detail on the composition of those portfolios and noted that with respect to the commercial real estate, 1) the portfolio is diversified, 2) it has a 2 year average life, 3) average LTV is 70%, 4) 75% is 1st lien and 5) the average loan size is $28 million. The CMBX is a visible gauge, but not the only gauge or driver of portfolio valuations. While there's clearly risk of near term mark-downs, management is more confident that this portfolio will prove money good over the long term.	Credit Suisse - Americas/United States Equity Research, "Lehman Brothers, Credit Suisse Fin'l Services Forum Highlights," February 6, 2008, p. 2.

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Date	Topic	Excerpt	Source
8-Feb-08	CUSIP: 52522L657 Principal Issued: $48,310,620 Description: Autocallable Optimization Securities with Contingent Protection Linked to the S&P 500 Financials Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated January 28, 2008 and Product Supplement No. 720-I dated January 28, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
12-Feb-08	Concentration of Credit Risk	Reducing 1Q08… our 1Q08 single point EPS estimate is now $1.20 (old: $1.50; consensus is at $1.59); achievement would translate to a 16% tangible ROE. Line item-wise, the estimate reduction relates largely to incremental marks against residential and commercial real estate exposures...	Roth Katzke, Susan and Ross Seldon, Credit Suisse - Americas/United States Equity Research, "Lehman Brothers, Challenging Environment; Reducing 1Q08 Estimate," February 12, 2008, p. 1.
19-Feb-08	Concentration of Credit Risk	But there are growing signs that the New York investment bank's latest quarter will be the rockiest since the mortgage crisis began. Behind the worry: Lehman is sitting on a big pile of commercial real-estate loans, and that market is deteriorating, potentially causing bigger-than-expected write-downs.	Eavis, Peter and Susanne Craig, "Now, Lehman Gets Pelted," *The Wall Street Journal* , February 19, 2008.
19-Feb-08	Concentration of Credit Risk	Current index figures suggest that the banks will face significant pain. Brad Hintz, an analyst at Sanford C. Bernstein & Company, calculated that Lehman Brothers has the highest exposure to commercial real estate-backed securities, with $39.5 billion, followed by Morgan Stanley, with $31.5 billion. (These numbers do not include hedges that the banks may have but do not disclose).	Anderson, Jenny, "Wall St. Banks Confront a String of Write-Downs," *The New York Times* , February 19, 2008.
29-Feb-08	Concentration of Credit Risk	Thornburg Mortgage's (TMA) disclosure of rapid deterioration in the credit quality and value of Alt-A mortgages is sending shivers through securities firms that have already written down billions of dollars of subprime residential mortgages and securities. Lehman Brothers Holdings (LEH), with about $18 billion of Alt-A loans and related securities, is most vulnerable, according to an estimate from David Trone, an analyst at Fox-Pitt Kelton Cochran. Alt-A loans are made to borrowers that generally have better credit histories than subprime borrowers but who aren't asked to document their ability to keep up mortgage payments. As with subprime loans, a torrent of Alt-A mortgages were issued in recent years. 'Lehman has the greatest exposure to Alt-A, which could generate gross writedowns of close to $3 billion in the first quarter,' Trone told Dow Jones Newswires. The writedowns will be reduced through hedging, he said, estimating that Lehman may end up with about $2 billion of net writedowns for Alt-A and other troubled assets in its fiscal first quarter that ends this week. Last quarter the company took net writedowns for all its assets of $830 million. Trone's Alt-A estimate for Lehman may be high by about $3 billion, said a person familiar with the portfolio, but even $15 billion is a big number. One investor, whose company would not let him be quoted, said it comes perilously close to Lehman's book value of about $22 billion.	Horowitz, Jed, "New Mortgage Woes Dog Investment Banks on Eve of 1Q Reports," *Dow Jones News Service*, February 29, 2008. Also referred to in Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Alt-A Deterioration Prompting Additional Write-Downs," Fox-Pitt Kelton Cochran Caronia Waller, February 29, 2008, p. 1.

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29-Feb-08	Concentration of Credit Risk	Lehman's Alt-A exposure includes about $8 billion of whole loans and $10 billion in securities backed by Alt-A loans. Lehman has cut more than 2,000 residential mortgage jobs in recent months and in January stopped buying and funding loans from mortgage brokers made through its Aurora Loan Services unit, which focused on Alt-A lending.	Horowitz, Jed, "New Mortgage Woes Dog Investment Banks on Eve of 1Q Reports," *Dow Jones News Service* , February 29, 2008.
29-Feb-08	Concentration of Credit Risk	Lehman, which managed to avoid many of the subprime losses that injured its competitors, also is one of Wall Street's largest commercial real estate lenders and loan packagers - another sector newly infected by credit concerns.	Horowitz, Jed, "New Mortgage Woes Dog Investment Banks on Eve of 1Q Reports," *Dow Jones News Service* , February 29, 2008.
29-Feb-08	CUSIP: 5252M0CZ8 Principal Issued: $15,827,000 Description: 100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates		Lehman Brothers Holdings Inc. Pricing Supplement No. 708 dated February 26, 2008 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
29-Feb-08	CUSIP: 52522L566 Principal Issued: $25,495,180 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the Russell 2000 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1100 dated January 15, 2008 and Product Supplement No. 550-I dated February 21, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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Date	Topic	Excerpt	Source
29-Feb-08	CUSIP: 52523J412 Principal Issued: $13,692,000 Description: 100% Principal Protection Notes Linked to an Asian Currency Basket		Lehman Brothers Holdings Inc. Pricing Supplement No. 723 dated February 26, 2008 to Prospectus Supplement dated May 30, 2006 and Prospectus dated May 30, 2006; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
10-Mar-08	Concentration of Credit Risk	Expecting additional write-downs in the Alt-A portfolio. Severe declines in valuations spreading to Alt-A as well as the leveraged loans and commercial mortgages are likely to bring further write-downs in 1Q. With the credit environment continuously challenging, we are less optimistic about a material recovery in 2H08. We estimate additional net write-downs of ~$0.75B in Lehman's ~$15B Alt-A portfolio.	Worthington, Kenneth, and Funda Akarsu, JP Morgan - North America Equity Research, "Lehman Brothers, Expecting Another Qtr of Bad News; Lowering Estimates," March 10, 2008, p. 1.
17-Mar-08	Concentration of Credit Risk	Although Moody's expects Lehman to continue to generate acceptable levels of quarterly profitability, the firm's current exposure to commercial and residential real estate, and to a lesser degree leveraged loans, will likely pose a not-insignificant burden on profitability for at least the next several quarters.	Moody's Investors Service, "Rating Action: Moody's affirms Lehman's A1 rating; outlook now stable." March 17, 2008.
17-Mar-08	Risk Management	Our price target for LEH goes to $44 from $68, based on 1.0x our forward book estimate, down from 1.5x. Our target multiple represents the harsh reality that some investors will think of Lehman as “next on the list” for the confidence/liquidity crisis (whether fair or not), simply due to overall size, mix, and exposures. This comes on the heels of investors already being very concerned about Lehman's significant residential and commercial mortgage exposures (close to $40 billion each). For what it's worth, we think Lehman is an excellent company that is far more diversified (by product & geography) than Bear, has a deeper capital base and far better liquidity position, and has done a great job managing risk in this incredibly challenging environment.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Diversified Financial Services," March 17, 2008, p. 8.
17-Mar-08	Risk Management	Indeed, investors are taking a grim view of the prospects for other investment banks like Lehman Brothers and Merrill Lynch. Managers of hedge funds and mutual funds say the problems at Bear confirmed their worst fears about the brokerages -- that they have relied too much on leverage and have done a poor job managing the risks they took on during the boom.	Thomas, Landon Jr., "Fears That Bear Stearns Downfall May Spread," *The New York Times* , March 17, 2008.
17-Mar-08	Concentration of Credit Risk	But there's at least one reason for concern: Lehman has sizable exposure to dicey mortgage securities and other hard-to-value instruments that could be a drag on its liquidity. That same issue contributed to the problems at Bear.	Rapoport, Michael, "In the Money: Why Lehman May Or May Not Be The Next Bear," *Dow Jones News Service* , March 17, 2008.
18-Mar-08	Net Leverage	Lehman's funding structure and contingency funding plans were well executed over the last eight months... Leverage has increased over time while Fitch notes a positive reduction in net adjusted leverage in first quarter 2008 (1Q08).	Fitch Ratings, "Fitch Comments on Lehman Brothers Liquidity and Earnings," March 18, 2008.

Appendix C:
Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
18-Mar-08	Net Leverage/ Concentration of Credit Risk	It's not surprising that people are looking to Lehman next,' said Jeffrey Harte, a brokerage stock analyst at Sandler O'Neill & Partners, a Chicago-based research firm. He said Lehman and Bear Stearns had a number of similarities. Both had relatively small balance sheets, they were heavily dependent on the mortgage market, and they relied heavily on the 'repo' or repurchase market, most often used as a short term financing tool.	Anderson, Jenny, "Aftershocks of a Collapse, With a Bank at the Epicenter," *The New York Times* , March 18, 2008.
18-Mar-08	Concentration of Credit Risk	<Q - Prashant Bhatia [Citigroup]>: Okay, great. And just a last question on the 14.6 billion in residential mortgage; can you just break that down between prime and Alt-A? <A - Erin Callan [Lehman Executive VP and CFO]>: That's primarily Alt-A. There is a pretty small component of prime in there. So if there is a billion of prime that's probably the most that's in there.	Lehman Brothers, "Q1 2008 Earnings Call," March 18, 2008, p. 14.
18-Mar-08	Concentration of Credit Risk	Residential exposures total $31.8 billion at 1Q08 with 45% in prime and Alt-A. Lehman's hedging of market risks of residential mortgages was astute positively impacting fiscal year 2007 (FY07) earnings particularly relative to peers.	Fitch Ratings, "Fitch Comments on Lehman Brothers Liquidity and Earnings," March 18, 2008.
18-Mar-08	Concentration of Credit Risk	Reductions in leveraged loan commitments is a net positive although similar to mortgages funding of current exposures is expected to remain challenging – with potential write-downs.	Fitch Ratings, "Fitch Comments on Lehman Brothers Liquidity and Earnings," March 18, 2008.
18-Mar-08	Concentration of Credit Risk	Trading results were weakened in 1Q08 due to unrealized losses in illiquid assets including commercial real estate exposures and leveraged loans.	Fitch Ratings, "Fitch Comments on Lehman Brothers Liquidity and Earnings," March 18, 2008.
18-Mar-08	Concentration of Credit Risk	[L]arge exposures remain in both residential & commercial real estate, as well as real estate owned…	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "First Read: Lehman Brothers, Lehman is Fine, But Outlook is Challenging," March 18, 2008.
18-Mar-08	Concentration of Credit Risk	Other areas for concern include Lehman's $39 billion in commercial real estate assets and $37 billion more in residential mortgages, businesses that have been hammered this year. If the moves in the real estate indexes were applied to the firm's totals, Lehman would take an estimated hit of $5 billion to $6 billion.	Anderson, Jenny, "Aftershocks of a Collapse, With a Bank at the Epicenter," *The New York Times* , March 18, 2008.
18-Mar-08	Concentration of Credit Risk	Though LEH also appears to have survived the worst of the subprime storm, we have lingering concerns over their exposure to commercial real estate and Alt-A mortgages. Also notable is that LEH is considerably smaller relative to GS or MS at a time where we believe scale will take on additional strategic importance.	Yadav, Anita, UBS Investment Research, "Weekly Australian iTraxx Monitor," March 18, 2008, p. 7.
19-Mar-08	Risk Management	That said, we think Lehman does deserve credit for continued solid risk management, as evidenced by the $2.9 billion difference between gross and net hedges.	UBS Investment Research, "Lehman Brothers, A Sign of Relief," March 19, 2008, p. 2.
19-Mar-08	Risk Management/ Concentration of Credit Risk	The firm actively purchased Alt-A assets during the quarter and had about $14 billion of Alt-A inventory at quarter end. Management feels it is has properly hedged its Alt-A exposure through ABX, CMBX and its own servicing platform, which is seen as a natural hedge to the residential business.	Caprihan, Kabir, and Chloe Thompson, JP Morgan - North America Credit Research, "Goldman Sachs and Lehman Brothers, Weathering the Storm," March 19, 2008.

Appendix C:
Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
19-Mar-08	Concentration of Credit Risk	Looking ahead, as good as Lehman has been at managing its exposures, we still have some concerns about the shear size and composition of the $31.8 billion of residential mortgage position ($14.8 billion of mostly Alt-A) and $31 billion of commercial mortgage position (Lehman sold $5 billion worth post the end of the quarter) on their books at a time when it seems that the illiquidity and deleveraging trends will continue in the face of a weakening economy.	UBS Investment Research, "Lehman Brothers, A Sign of Relief," March 19, 2008, p. 3.
19-Mar-08	Net Leverage/ Concentration of Credit Risk	Issues in the Quarter 1) Total revs -20% q/q; 2) FICC revs -64% seq. on $1.8 bn of net mark downs, worse if you ex the FAS 159 gains; 3) large exposures remain in both residential & commercial real estate, as well as real estate owned, 4) Modest 9% ROE & book was flat q/q (a moral victory given the environment); 5) Gross leverage increased to 31.7x, though net leverage decreased to 15.4x; 6) Comp ratio & share count crept up; 7) Lower tax rate gave EPS a boost.	Luard, Caspar, UBS Investment Research, "Morning Expresso - Asia," March 19, 2008, p. 7.
19-Mar-08	Net Leverage/ Concentration of Credit Risk	Still, while we think mgmt did a good job of putting the liquidity issue to bed, LEH still has considerable mortgage exposure (~$63 bn), de-leveraging is likely to continue & the overall economic and earnings environment remains challenging.	UBS Investment Research, "Morning Expresso - Europe," March 19, 2008, p. 4.
19-Mar-08	Concentration of Credit Risk	Negative Marks Took a Toll & Mortgage-Related Exposure Remains High LEH had gross marks of $5.3bn ($4.7bn incl FAS 159 gains), including $1.1bn on commercial mortgage exposure (~3% mark) & $3bn on residential mortgage exposures (~9% mark). While net marks were a more manageable $1.8bn given hedging gains, FICC revs were still off 64% q/q. Given that LEH still has $32bn of residential & $31bn of commercial mortgage exposures, headwinds remain.	UBS Investment Research, "Morning Expresso - Europe," March 19, 2008, p. 4; Also stated in UBS Investment Research, "Lehman Brothers, A Sign of Relief," March 19, 2008, p. 2.
25-Mar-08	Risk Management/ Net Leverage	Thus far, Lehman has exhibited strong risk mgmt, and we expect this to continue through the next few months. As a result, we believe LEH shares have the superior risk/reward equation in the group. For the group, however, the big de-leveraging phase and credit issues are not yet over, so we don't expect any of the Inv. Banks/Brokers to enjoy a sustained breakout to the upside in upcoming weeks.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, LEH: Lowering Ests. As Tough Conditions Subsist," Fox-Pitt Kelton Cochran Caronia Waller, March 25, 2008, p. 1.
31-Mar-08	CUSIP: 52522L871 Principal Issued: $7,556,450 Description: Bearish Autocallable Optimization Securities with Contingent Protection Linked to the Energy Select Sector SPDR Fund		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1200 dated March 10, 2008 and Product Supplement No. 1040-I dated March 13, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

Appendix C:
Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic Excerpt	Source
31-Mar-08	CUSIP: 52522L798 Principal Issued: $13,688,610 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the Russell 2000 Index	Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1100 dated January 15, 2008 and Product Supplement No. 550-I dated March 28, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
31-Mar-08	CUSIP: 52522L806 Principal Issued: $29,567,250 Description: Return Optimization Securities with Partial Protection Notes Linked to the S&P 500 Index	Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 (SPX), Underlying Supplement No. 1120 dated March 26, 2008 (MXEF) and Product Supplement No. 820-I dated March 26, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

Appendix C:
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Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
31-Mar-08	CUSIP: 52522L814 Principal Issued: $4,314,700 Description: Return Optimization Securities with Partial Protection Notes Linked to the MSCI EM Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 (SPX), Underlying Supplement No. 1120 dated March 26, 2008 (MXEF) and Product Supplement No. 820-I dated March 26, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
1-Apr-08	Net Leverage	The Outlook revision to Negative from Stable results from increased earnings pressure and leverage as inventory expanded in residential and commercial real estate related securities and loans and corporate loans and commitments.	“Fitch Revises Outlook on Lehman Brothers to Negative; Affirms ‘AA-/F1+’ IDRs,” Business Wire, April 1, 2008.
1-Apr-08	Net Leverage	Lehman issued $1.5 billion in preferred stock in January 2007 and yesterday's offering combine to reduce leverage positively impacting Fitch's credit view.	“Fitch Revises Outlook on Lehman Brothers to Negative; Affirms ‘AA-/F1+’ IDRs,” Business Wire, April 1, 2008.
1-Apr-08	Risk Management/ Concentration of Credit Risk	Lehman's residential mortgage exposures are more weighted to securities rather than whole loans. Lehman is actively trading its securities inventory comprising prime, Alt-A, and subprime securities. In Fitch's view, Lehman has been astute in hedging its residential mortgage exposures, posting strong earnings in 2007 particularly relative to peers.	“Fitch Revises Outlook on Lehman Brothers to Negative; Affirms ‘AA-/F1+’ IDRs,” Business Wire, April 1, 2008.
1-Apr-08	Concentration of Credit Risk	Overall, the bank has about $31.8 billion in residential-mortgage exposure and $13.5 billion is Alt-A. The firm has taken $3 billion in write-downs on the residential portfolio, a substantial portion of which was Alt-A. On this front, Lehman argues this positioned is hedged, meaning that any losses will be offset by gains elsewhere.	Craig, Susanne, "Lehman Wants to Short-Circuit Short Sellers," *The Wall Street Journal* , April 1, 2008.
1-Apr-08	Risk Management/ Concentration of Credit Risk	Ms. Callan estimates Lehman's total real-estate exposure is closer to 20% and it is a skilled operator in managing real-estate assets.	Craig, Susanne, "Lehman Wants to Short-Circuit Short Sellers," *The Wall Street Journal* , April 1, 2008.
1-Apr-08	Concentration of Credit Risk	Nearly $31 billion of its holdings are commercial-real-estate loans. Even as it cut way back on making home loans, Lehman continued to lend to buyers of office buildings and other assets, and analysts expect it will take a hit on these this year. A big concern is Lehman's 2007 investment in Archstone-Smith Trust, which it bought with Tishman Speyer Properties in May 2007, just as the real-estate market was beginning to melt. Lehman bought in at $60.75 a share. Archstone is now private, but shares of its publicly traded rivals are down substantially, suggesting Lehman's investment is underwater.	Craig, Susanne, "Lehman Wants to Short-Circuit Short Sellers," *The Wall Street Journal* , April 1, 2008.

Appendix C:
Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
1-Apr-08	Concentration of Credit Risk	Since [Bear Stearn's] liquidity crisis became known, concerns over credit risks increased among many of the credit market participants with regard to Lehman Brothers (LEH) given the relatively small business size and the large weighting of mortgage operations.	Gotoh, Fumihito and Nana Otsuki et al., UBS Investment Research, "Japan Credit Weekly," April 1, 2008, p. 4.
1-Apr-08	Concentration of Credit Risk	Meanwhile, LEH still has considerable mortgage exposure of US$63bn, deleveraging is likely to continue, and the overall economic and earnings environment remains challenging.	Gotoh, Fumihito and Nana Otsuki et al., UBS Investment Research, "Japan Credit Weekly," April 1, 2008, p. 4.
1-Apr-08	Concentration of Credit Risk	But investors remain unnerved by Lehman's valuing of so-called level three assets, for which there is not an observable market price. Those assets more than doubled in the last six months of last year, rising to $42 billion. The investment bank wrote down $1.8 billion, net of hedges, in the first quarter, on mortgage-related securities. But critics believed the number should have been higher. Lehman has $39 billion in commercial real estate assets and $37 billion in residential mortgages. Both busineses have been hurt in recent months.	Anderson, Jenny, "Lehman Tries to Quash Talk by Raising $3 Billion," *The New York Times* , April 1, 2008.
1-Apr-08	Net Leverage	Impact to EPS, ROE, Book, Gross Leverage & Net Leverage. ...We estimate ~10% EPS dilution (depending on deal size & use of proceeds), a small increase to ROCE, no real change to book value per share and reductions to the net leveraged ratio of 110-150 basis points (was 15.4x at qtr-end) & 340-430 bps decrease to the gross leverage ratio (was 31.7x at quarter end).	Luard, Caspar, UBS Investment Research, "Morning Expresso - United States," April 1, 2008, p. 3.
2-Apr-08	Concentration of Credit Risk	Given Lehman's remaining exposures to residential mortgages (USD 32bn of which 15bn is Alt-A) and commercial real estate (USD 36bn), we still expect to see write-downs in the coming quarters.	UBS Wealth Management Research, "Lehman Brothers, Corporate Update, USD 4bn Capital Raise Well-Received; Buy," April 2, 2008.
7-Apr-08	Risk Management	[Wealth Management Research diversified analyst Sandra] Goldschneider expects the company to record additional write-downs in the coming quarters but points to the firm's superior execution and risk management capabilities to guide the company through this challenging period.	McAlinden, Barry, UBS Wealth Management Research, "Preferred Securities Update, Riding Out the Storm," April 7, 2008, p. 3.
7-Apr-08	Net Leverage	It is fairly obvious that companies want to reduce their leverage and stay out of danger. ...Lehman Brothers and Morgan Stanley made a very big point about reducing the average trying to prove to investors that they are being careful with their money. They are trying to conserve their capital and reduce their assets on their balance sheets.	inewsnetwork, Global Broadcast Database, "SHOW: 4:30 PM BBUS," Speaker Unkown, April 7, 2008.
8-Apr-08	Concentration of Credit Risk	U.S. residential subprime mortgages were $4.017 billion and $5.276 billion as of February 29, 2008 and November 30, 2007, respectively. These figures exclude loans which were accounted for as financings rather than sales which were approximately $3.2 billion and $2.9 billion at February 29, 2008 and November 30, 2007, respectively.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 20.
8-Apr-08	Concentration of Credit Risk	At February 29, 2008, other interests in securitizations included approximately $1.8 billion of investment grade commercial mortgages, approximately $42 million of non-investment grade commercial mortgages and the remainder relates to municipal products. At November 30, 2007, other interests in securitizations included approximately $2.4 billion of investment grade commercial mortgages, approximately $26 million of non-investment grade commercial mortgages and the remainder relates to municipal products.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 27.

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Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

Date	Topic	Excerpt	Source
8-Apr-08	Concentration of Credit Risk	[D]uring both periods [the end of the 2008 first quarter and at the 2007 fiscal year end], the increase of assets characterized as Level 3 was also attributable to the funding of leveraged lending commitments that had not been fully syndicated.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 50.
8-Apr-08	Concentration of Credit Risk	At February 29, 2008, Residential Securities, Whole loans, and Servicing and other were $18.2 billion, $11.9 billion, $1.7 billion, respectively. Commercial Whole loans and Securities and other were $24.9 billion, and $11.2 billion, respectively. Other asset-back securities were $6.5 billion. Relating to the asset-based securities, the Company purchases interests in and enters into derivatives with collateralized debt obligation securitization entities ("CDOs"). The CDOs to which the Company has exposure are primarily structured and underwritten by third parties. The collateralized asset or lending obligations held by the CDOs are generally related to franchise lending, small business finance lending, or consumer lending. Approximately 25% of the positions held at February 29, 2008 and November 30, 2007 were rated BB+ or lower (or equivalent ratings) by recognized credit rating agencies. In determining the fair value interests in CDOs, the Company considers prices observed for similar transactions and data for relevant benchmark instruments, such as swap obligations for similar obligations referenced by the instrument. In both reference periods, the value in the benchmark instruments as well as market developments caused a decline in the fair value of interests in CDOs, not actual defaults on swap obligations.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 55.
8-Apr-08	Concentration of Credit Risk	As of February 29, 2008, the Company had Alt-A/Prime U.S. Residential Mortgages of $14.6 billion, Subprime/Second Lien mortgages of $4.0 billion, and Other mortgages of $2.1 billion.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 56.
8-Apr-08	Concentration of Credit Risk	As of November 30, 2007, the Company had Alt-A/Prime U.S. Residential Mortgages of $12.7 billion, Subprime/Second Lien mortgages of $5.3 billion, and Other mortgages of $2.3 billion.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 56.
8-Apr-08	Concentration of Credit Risk	The Company's commercial mortgage portfolio at February 29, 2008 was: Americas: $17.4 billion, Europe: $10.0 billion, Asia-Pacific: $8.7 billion. The Loan to Value was Americas: 75%, Europe: 78%, Asia-Pacific: 80%, Total Portfolio: 77% The Commercial mortgage whole loans diversification was: Office: 25%, Mixed use: 11%, Hotel: 10%, Multi-family 14%, Retail: 10%, Condominium: 7%, Other: 23%	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 57.
8-Apr-08	Concentration of Credit Risk	The Company's commercial mortgage portfolio at November 30, 2007 was: Americas: $20.6 billion, Europe: $10.4 billion, Asia-Pacific: $7.9 billion. The Loan to Value was Americas: 73%, Europe: 79%, Asia-Pacific: 80%, Total Portfolio: 76% The Commercial mortgage whole loans diversification was: Office: 27%, Mixed use: 8%, Hotel: 11%, Multi-family 14%, Retail: 11%, Condominium: 7%, Other: 22%	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 57.

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Date	Topic	Excerpt	Source
8-Apr-08	Concentration of Credit Risk	As of February 29, 2008, the Company had approximately $22.6 billion of real estate investments; however, the Company's net investment at risk was limited to $12.9 billion as a portion of these assets have been financed on a non-recourse basis. As of February 29, 2008, the Company estimates that a hypothetical 10% decline in the underlying property values associated with the non-syndicated investments would have resulted in a net revenue loss of approximately $993 million.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended February 29, 2008, filed April 8, 2008, p. 79.
8-Apr-08	Concentration of Credit Risk	Lehman is different from Bear in that it has greater exposure to commercial real estate and its asset management franchise did not blow-up.	David Einhorn Speech, "Private Profits and Socialized Risks," April 8, 2008, p. 9.
11-Apr-08	Risk Management	In recent weeks, Lehman moved $2.8 billion in loans, including some risky leveraged-buyout debt that has been difficult to sell, into a newly created investment vehicle it named 'Freedom,' which in turn issued debt securities backed by the loans.	Ng, Serena and Susanne Craig, "How Lehman Opened the Fed's Spigot—Deal Takes Advantage of New Lending Facility," *The Wall Street Journal* , April 11, 2008.
11-Apr-08	Concentration of Credit Risk	After meeting with Erin Callan, the chief financial officer of Lehman Brothers, Michael Mayo said he had a one-word reaction: "Wow." And not the good kind of wow. Mr. Mayo, a banking analyst at Deutsche Bank, published a generally downbeat report Thursday on Lehman's prospects, which he said reflected a "new harsh reality" for the fourth-largest United States brokerage firm. ...Ever since the collapse of Bear Stearns, questions about Lehman's liquidity have been swirling around Wall Street -- some have even suggested that there has been a deliberate effort by some investors to bring it down. ...And there may be a more immediate problem. Mr. Mayo thinks that Lehman has more asset write-downs ahead. His estimate is $2.3 billion in the second quarter, chiefly related to commercial-backed mortgage securities.	Sorkin, Andrew Ross and Michael J. de la Merced, "Dealbook Extra," *The New York Times* , April 11, 2008.
21-Apr-08	Net Leverage	Lehman's CFO has indicated that its net leverage ratio will likely be heading to the 12x area, down from 15.4x at quarter end (13.4x post capital raise), and would like to get there by the end of 2Q. In our view, while Lehman is out in front and being aggressive in this process, we think gross leverage ratios for the group will be heading back toward the mid-20s in the near term, which is basically where it was from 2003-06, before rising meaningfully in the second half of 2007.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Investment Services," April 21, 2008, p. 7.
21-Apr-08	Concentration of Credit Risk	While not huge, Morgan Stanley was able to sell off $8 billion of commercial real estate exposure in 1Q and Lehman sold off $5 billion of similar assets after the quarter. While we think this is a positive step, the size of these sales relative to total assets is pretty small (about $800 billion and $1 trillion balance sheets) and we are not sure how tenable this approach is given the ongoing illiquidity in the credit markets (but there have been some modest signs of improvement lately).	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Investment Services," April 21, 2008, p. 9.
21-Apr-08	Net Leverage	[L]ehman noted that its convertible preferred issuance will help 'accelerate' the de-leveraging process and the recent convert actually shaved 400 bps off the gross leverage ratio.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Investment Services," April 21, 2008, p. 9.
21-Apr-08	Risk Management/ Net Leverage	During the crisis of 1998, when Lehman last faced a very challenging time, the issue was that unsecured short-term financing was creating a liquidity crisis for the firm. In the following years, all the brokers learned from this situation and moved away from a reliance on commercial paper, and shifted their funding structures further out on the curve (bringing long-term debt to comprise 80%- plus of their total debt). While that structure still holds true, today's balance sheets are larger with higher leverage that is partially being funded with secured short-term funding in the repo market.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Investment Services," April 21, 2008, p. 11.

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Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
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Date	Topic	Excerpt	Source
23-Apr-08	CUSIP: 52523J172 Principal Issued: $12,680,000 Description: Return Optimization Securities with Partial Protection Linked to a Basket of Global Indices		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 1220 dated April 3, 2008 and Product Supplement No. 1080-I dated April 4, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
30-Apr-08	Risk Management/ Net Leverage	Risk appetite meaningfully reduced. Lehman's deleveraging process will reduce balance sheet exposures most notably in the fixed income business—real estate first; leveraged loans right behind that. Does this automatically translate to lower ROEs—not necessarily. Pricing, volumes and business mix shifts should support returns.	Katzke, Susan Roth and Ross Seiden, “Lehman Brothers, How Much Income from Fixed Income?,” Credit Suisse - Americas/United States Equity Research, April 30, 2008, p. 1.
30-Apr-08	Concentration of Credit Risk	Leveraged Loans. This is the easiest of the 'high risk' asset classes to sell. Lehman is selling; markets are allowing this to be done as quickly as the firm would like, largely without an extension of leverage to the buyer. Expect a material decline in inventory positions as leveraged loans are not and will not be a 'natural' inventory position for Lehman.	Katzke, Susan Roth and Ross Seiden, “Lehman Brothers, How Much Income from Fixed Income?,” Credit Suisse - Americas/United States Equity Research, April 30, 2008, pp. 3-4.
30-Apr-08	Concentration of Credit Risk	Commercial Real Estate. Lehman held $36 billion in commercial real estate related whole loans and securities at the close of 1Q08. Management spoke to having exited $5 billion as of their 1Q08 conference call; we expect there to have been more since with the intent of working down to a more natural inventory level, in the low $20 billions. Importantly, there seems to be no pressure to unload assets at any cost--we don't see Lehman bulk selling assets at market price discounts with leverage.	Katzke, Susan Roth and Ross Seiden, “Lehman Brothers, How Much Income from Fixed Income?,” Credit Suisse - Americas/United States Equity Research, April 30, 2008, p. 4.
8-May-08	Risk Management	Lehman continues to manage its sizable exposures to risky assets, and management feels that the risks in the residential portfolio are manageable, though it remains difficult to hedge floating rate CMBS (basis risk caused some major headaches in March and April).	UBS Investment Research, "Lehman Brothers, Cleansing Process in Full Swing," May 8, 2008, p. 2.
8-May-08	Concentration of Credit Risk	Lehman had $31 billion of commercial real estate (this does not include the $2.2 billion of debt and $2.3 billion of equity related to Archstone) on its books when they reported 1Q earnings, with 85% of the exposure to floating rate loans.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Lehman Brothers, Cleansing Process in Full Swing," May 8, 2008, p. 3.

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Date	Topic	Excerpt	Source
8-May-08	Net Leverage	Intense Focus on Improving the Balance Sheet. ...While the $4 billion convertible preferred issuance in March brought Lehman's net leverage down to 13.4x, management remains committed to selling down its illiquid assets and affirmed its goal to have net leverage down to 12x by the end of 2Q. Management thinks this will put Lehman in a position to have flexibility for potential opportunities in the second half of 2008 and beyond.	Luard, Caspar, UBS Investment Research, "Morning Expresso - United States," May 8, 2008, p. 3.
14-May-08	Net Leverage	Lehman Brothers: Rough 2Q. ...but Leaner Franchise 2Q will be difficult given de-leveraging & basis risk (April was brutal); Expect "illiquid" exposures to be down ~20% in 2Q and mgmt is ok taking some hits to get there; Reiterated 2Q leverage targets (gross 25x, net 12x); New business being done at higher ROAs, over time mgmt thinks ROEs can get back to the high teens.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Investment Services," May 14, 2008, p. 1. Also stated in UBS Investment Research, "Global Bank Perspectives," May 19, 2008, p. 9.
14-May-08	Risk Management/ Net Leverage	The combination of basis risk and slowing client activity should combine with de-leveraging to cause some lackluster results (Lehman seems to be the hardest hit). Second, there was a common focus on improving balance sheet health through a combination of lower leverage and asset sales. Lehman seemed most intent on reducing its risky asset exposures and noted a goal of roughly a 20% decline by the end of 2Q.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "US Investment Services," May 14, 2008, p. 2.
14-May-08	Concentration of Credit Risk	Not a total surprise, but the bulk of Lehman's residential and commercial mortgage exposures are 2007 vintage (residential 67%, commercial 64%) – implying that they did intend to originate & distribute, but just got caught with a big pipeline when the music stopped.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "US Investment Services," May 14, 2008, p. 3.
15-May-08	CUSIP: 52523J206 Principal Issued: $25,009,640 Description: Return Optimization Securities with Partial Protection Linked to the S&P 500 Financials Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated May 14, 2008 and Product Supplement No. 820-I dated March 26, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
19-May-08	Net Leverage/ Concentration of Credit Risk	In particular, financial institutions are looking to sell residential & commercial mortgages, real estate investments, as well as high grade and high yield exposures. At Lehman, management expected "illiquid" exposures to be down ~20% in 2Q08 and reiterated its 2Q08 leverage targets (gross 25x, net 12x).	Finch, Philip, Glenn Schorr et al., "Global Bank Perspectives," UBS Investment Research, May 19, 2008, p. 6.

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21-May-08	Concentration of Credit Risk	Confidence is clearly undermined by the anticipated 2Q loss and the need for incremental marks against still large real estate exposures; what's critical is a material reduction in such exposures, at carrying value.	Katzke, Susan Roth and Ross Seiden, “Lehman Brothers, Reducing Estimates,” Credit Suisse - Americas/United States Equity Research, May 21, 2008, p .1.
21-May-08	Concentration of Credit Risk	Lehman had $39 billion of exposure to commercial mortgages at the end of the year. The index of AAA CMBS declined about 10% in the quarter. Lower rated bonds fell even further. Since Lehman's portfolio is less than AAA, it would seem its write-down probably should have been more than 10 points. Lehman wrote its exposure down less than 3 points gross. Part of the commercial mortgage exposure is a venture called SunCal, where Lehman is a lender and equity investor. SunCal is a large land developer, principally in California's Inland Empire. This is one of the hardest hit housing markets in the country. A number of publicly-traded home builders have written land holdings in this area down to pennies on the dollar. Lehman has not disclosed a material charge on its SunCal investment.	David Einhorn Speech, "Accounting Ingenuity," May 21, 2008, pp. 8-9.
23-May-08	Concentration of Credit Risk	Lehman Will Be Harder Hit Than Peers: Not a surprise at this point, but we think LEH will post a loss in 2Q (~$0.75 per share), while we think GS & MS will post ROEs of 15% & 13% & MER could be in the single digits. For LEH, we think incremental marks on their real estate exposures (commercial & residential), ineffective hedges, weak results in private equity & the lack of FAS 159 gains all will contribute to the loss.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Brokers & Universal Banks," May 23, 2008, p.1; Also stated in Luard, Caspar, UBS Investment Research, "Morning Expresso - United States," May 23, 2008, p. 2 and UBS Investment Research, "Global Portfolio Manager's Spotlight," May 29, 2008, p. 14.
23-May-08	Risk Management/ Net Leverage	On a little brighter note, we think investors will take a little (and only a little) comfort in Lehman hitting its goals of paring down its risk exposures by roughly 20% and its gross & net leverage targets of 25x & 12x.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Brokers & Universal Banks," May 23, 2008, p. 5.
30-May-08	CUSIP: 52523J230 Principal Issued: $17,018,280 Description: Return Optimization Securities with Partial Protection Linked to the S&P 500 Financials Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 910 dated May 14, 2008 and Product Supplement No. 820-I dated March 26, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.

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3-Jun-08	Net Leverage	After its most recent capital raising on March 31, its gross leverage ratio -- a measure of borrowing relative to assets -- fell to a more conservative 27.3 from 31.7 at the end of its first quarter in February. The figure is expected to be down to 25 as of the end of the second quarter. In a statement, a Lehman spokesman said: "It is our clearly articulated strategy to reduce the size of our balance sheet this quarter."	Craig, Susanne, "Losses Push Lehman to Weigh Rasing New Capital," *The Wall Street Journal* , June 3, 2008.
4-Jun-08	Net Leverage	Lehman, like its counterparts, is racing to use less leverage. The bank had a gross leverage ratio of 31.7:1 at the end of the first quarter, meaning it had borrowed $31.70 for each dollar of equity. Lehman has whittled that ratio down to 25:1 through its more than $100 billion in asset sales, said the person close to the company who was given anonymity because he was discussing a pending financial filing. A small amount of the sales were to two hedge funds set up by former Lehman executives.	Story, Louise, "Making Trouble for Lehman," *The New York Times* , June 4, 2008.
4-Jun-08	Risk Management	David Einhorn thinks another big Wall Street bank is headed for trouble -- and he is not being quiet about it…He questioned how [Lehman Brothers] valued the assets on its books, and whether it was disclosing all the risks it faces...Lehman has been singled out because of the large role it played in the mortgage market and its reluctance to disclose information about its assets compared with other Wall Street banks…Lehman's management has spoken with some analysts about Mr. Einhorn, but they have declined to comment publicly beyond a statement that says Mr. Einhorn "cherry picks" and misconstrues information.	Story, Louise, "Making Trouble for Lehman," *The New York Times* , June 4, 2008.
9-Jun-08	Net Leverage	Reduced gross leverage to under 25.0x from 31.7x at the end of the first quarter, and reduced net leverage to under 12.5x from 15.4x.	Lehman Brothers Holdings Inc., "Lehman Brothers Announce Expected Second Quarter Results", Press Release, June 9, 2008, p. 2.
9-Jun-08	Concentration of Credit Risk	Reduced exposure to residential mortgages, commercial mortgages and real estate investments by an estimated 15-20% in each asset class.	Lehman Brothers Holdings Inc., "Lehman Brothers Announce Expected Second Quarter Results", Press Release, June 9, 2008, p. 2.
9-Jun-08	Risk Management	The rating action also reflects Moody's concerns over risk management decisions that resulted in elevated real estate exposures and the subsequent ineffectiveness of hedges to mitigate these exposures in the recent quarter...Any additional net valuation marks that result in firm-wide losses in coming quarters would raise serious concerns about the effectiveness of Lehman's risk management and may create additional market unease about the firm, potentially weakening its franchise.	Moody's Investors Service, "Rating Action: Moody's changes Lehman's rating outlook to negative." June 9, 2008.
9-Jun-08	Risk Management	Market risk measures indicate Lehman has increased its risk to market volatility over historic levels. Lehman's disclosed VaR, Fitch stressed VaRs as a percent of tangible equity and the volatility of principal trading revenues [sic] reflect[s] the more volatile environment and heightened levels of risk to capital.	Fitch, "Fitch Downgrades Lehman Brothers' L-T & S-T IDRs to 'A+/F1'; Outlook Negative," June 9, 2008.

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9-Jun-08	Risk Management	Moody's Investors Service lowered its outlook for the bank's credit ratings to negative, expressing concerns about Lehman's ability to manage the risks in its still-large exposures to commercial and residential mortgages and signaling the market may not have much tolerance for further losses. "The rating action also reflects Moody's concerns over risk management decisions that resulted in elevated real estate exposures and the subsequent ineffectiveness of hedges to mitigate these exposures in the recent quarter," Moody's wrote in a release. "Any additional net valuation marks that result in firm-wide losses in coming quarters would raise serious concerns about the effectiveness of Lehman's risk management and may create additional market unease about the firm, potentially weakening its franchise.	Kingsbury, Kevin, "Update: Lehman to Raise $6B After Unexpectedly Deep $2.8B Loss," *Dow Jones News Service* , June 9, 2008.
9-Jun-08	Net Leverage/ Concentration of Credit Risk	Lehman said it cut its exposure to risky M&A loans by 35% and lowered its exposure to residential mortgages, commercial mortgages and real estate investments by 15-20% apiece. The bank said it reduced its leverage - the multiple by which its borrowings exceed its equity - to 25 times from 31.7 times at the end of the first quarter.	Kingsbury, Kevin, "Update: Lehman to Raise $6B After Unexpectedly Deep $2.8B Loss," *Dow Jones News Service* , June 9, 2008.
9-Jun-08	Concentration of Credit Risk	Lehman's shares were 8% lower in premarket trading at $29.70 and had been down more than 11% at one point. Moody's Investors Service lowered its outlook for the bank's credit ratings to negative, expressing concerns about Lehman's ability to manage the risks in its still-large exposures to commercial and residential mortgages and signaling the market may not have much tolerance for further losses.	Kingsbury, Kevin, "Update: Lehman to Raise $6B After Unexpectedly Deep $2.8B Loss," *Dow Jones News Service* , June 9, 2008.
9-Jun-08	Concentration of Credit Risk	However, the significant (albeit declining) residential and commercial real estate concentrations remain a risk management challenge and continue to pose down-side risk to the firm.	Moody's Investors Service, "Rating Action: Moody's changes Lehman's rating outlook to negative." June 9, 2008.
9-Jun-08	Concentration of Credit Risk	Fitch believes Lehman will continue to sell riskier assets and reduce its overall risk in specific asset classes, particularly residential and commercial mortgages. However, Fitch is concerned that such sales may remove the most attractive assets, leaving a concentrated level of least desirable or more problematic assets on the balance sheet.	Fitch Ratings, “Fitch Downgrades Lehman Brothers' L-T & S-T IDRs to 'A+/F1'; Outlook Negative,” June 9, 2008.
10-Jun-08	Concentration of Credit Risk	A chief Lehman-specific risk is its remaining exposure to residential and commercial mortgages.	Goldschneider, Sandra, “Lehman Brothers, Corporate Update: The Perfect Storm: Focus on Core EPS; Buy,” UBS Wealth Management Research, June 10, 2008, p. 2.

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10-Jun-08	Risk Management/ Net Leverage	We note that from day one, CFO Erin Callan had been explicit and deliberate on Lehman's intention to delever the balance sheet. Back in the 1Q08 earnings conference call (3/18/2008), CFO Callan stated that the company did "very deliberately, take leverage down for the quarter. We ended with a net leverage ratio of 15.4 times, down from 16.1 at year end. And we will continue to allocate capital on the balance sheet in the market in a way that we consider prudent, and that reflects the liquidity profile of the balance sheet." Callan reiterated this point to us during our meeting with her (on April 21, 2008), saying that the company's target adjusted leverage ratio for delevering was 12x. Despite the fact that recent capital raises at the time had brought the company closer to the target leverage ratio, Callan said the company would continue to focus on de-risking by selling illiquid assets. In fact, management has set specific levels that exposures to illiquid assets should be at by the end of 2Q08. On Monday's pre-announced earnings conference call, CFO Callan made a clear point that the company "does not intend to lower [its] leverage ratios from these levels" given an estimated reduced net leverage to under 12.5x at the end of 2Q08. That is, Lehman's "deleveraging is complete."	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH Pre-announces EPS Loss of $5.14 and Capital Raise of $6B," June 10, 2008, p. 2.
10-Jun-08	Risk Management	The Lehman culture is one, up until recently, known for its risk management.	Weidner, David, "Marketwatch View: Lehman May Need A Fresh Face at the Top," *Dow Jones News Service* , June 10, 2008.
10-Jun-08	Risk Management	But the news also came with a stunning admission: Lehman Brothers, whose veteran executives pride themselves on their ability to manage risks, lost a staggering $2.8 billion in the second quarter, its first deficit since going public in 1994. The loss far exceeded even the most pessimistic forecasts and reflected a twin blow of soured assets and bad trades. What is more, hedges that Lehman had put in place to cushion potential losses from mortgage investments went wrong, adding to the red ink, rather than minimizing it. The news heightened fears that other banks might run into more trouble. ...[A] crisis of confidence again threatened to engulf his firm. Shares of Lehman slid week after week and doubts grew about whether bank, one of the smallest players on Wall Street, could survive as an independent firm. ... And Lehman's savvy hedging activities, which had helped the firm avoid the big blowups that rocked many oth-er banks in late 2007 and early 2008, failed to work during the second quarter. ...[I]ts hedging, especially hedges on commercial mortgage related positions, failed.	Anderson, Jenny and Louise Story, "As Losses Mount, the Fed and the White House Step Up Fortunes Reverse for a Bank and Its Leader," *The New York Times* , June 10, 2008.
10-Jun-08	Concentration of Credit Risk	But Lehman may not be out of the woods. The firm has been engaged in a public battle with short-sellers who have questioned the way Lehman values assets that are difficult to trade, like mortgages and private equity stakes. Moody's Investors Service downgraded its outlook on Lehman to negative from stable on Monday. Fitch Ratings cut Lehman's credit rating.	Anderson, Jenny and Louise Story, "As Losses Mount, the Fed and the White House Step Up Fortunes Reverse for a Bank and Its Leader," *The New York Times* , June 10, 2008.

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10-Jun-08	Concentration of Credit Risk	Consider that earlier this year Lehman, amid falling mortgage markets, increased by about $2 billion its holdings of so-called Alt-A loans, or mortgages made to borrowers who aren't exactly prime. "We saw a great opportunity," Ms. Callan said March 18. Now, less than three months later, that move doesn't look so smart. Lehman said Monday that it had gross write-downs of about $2 billion on residential-mortgage holdings, which are mostly Alt-A loans, during the fiscal second quarter that ended in May. That helped fuel what Lehman expects to be a $2.8 billion net loss for the quarter. While Lehman may eventually see some of those holdings rebound, the episode underlines the big worry surrounding the firm: that it has been slower than peers in adequately marking down holdings and shedding deadweight assets.	Reilly, David, "Lehman Talks a Rosy Talk—Walking the Walk May Prove Thornier Than Bank Predicts," *The Wall Street Journal* , June 10, 2008.
10-Jun-08	Concentration of Credit Risk	The retained risk of real estate concentration… at the end of 1Q08, Lehman had $81Bn of combined commercial and residential real estate and real estate investments. That total has been brought down closer to $65Bn at the end of 2Q—it's still too much at 2x Lehman's pro forma shareholders' equity. Rationalization is taking time; price risk remains and we can't expect hedges to be perfect. An incremental 10% mark-down equates to an additional $4Bn after tax; this is in our new estimates… The risk to downgrading today… Lehman's shares are down 55% year to date, having underperformed peers and now trading at just 0.9x pro forma book value (1.1x tangible book). Upside to our revised target price is 20-25%. The single biggest driver of incremental upside would come from success in materially reducing real estate and related inventory at currently marked levels (i.e., without incremental losses) thereby restoring credibility and reducing the firm's risk profile.	Roth Katzke, Susan, and Ross Seldon, Credit Suisse - Americas/United States Equity Research, "Lehman Brothers, Recalibrating Expectations," June 10, 2008, pp. 1-2.
11-Jun-08	Net Leverage/ Concentration of Credit Risk	We believe LEH management acted aggressively to address issues weighing on investor confidence, particularly (1) the size of LEH's balance sheet, (2) its sizable concentrations in mortgage and leveraged finance assets, and (3) its overall leverage. Over the course of the quarter, the overall balance sheet has been reduced by USD130bn in gross assets (16% of the USD786m reported at February 29) while net leverage has been reduced from 15.4x at the end of Q1 to around 12.5x. While the leverage figure is quoted before the addition of the USD6bn capital raise, management was quick to point out that leverage will not drop below this level.	Hesser, Van, and Daphne Fang, HSBC, "Credit Research, Lehman Brothers, One day at a time," June 11, 2008, p. 2.
12-Jun-08	Concentration of Credit Risk	While LEH has taken gross write-downs of $17B since the beginning of fiscal 2007, given ongoing concerns around the pricing of Level 3 assets and the fact that LEH has not disclosed where certain large, illiquid positions (such as Archstone or SunCal) or categories of assets (like Alt-A or commercial mortgages) are marked, investors continue to assume the that there is something to hide.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Lehman Brothers, Unanswered Questions Continue to Weigh," June 12, 2008; Also stated in UBS Investment Research, "Global Portfolio Manager's Spotlight," June 12, 2008, p. 16.
12-Jun-08	Net Leverage	LEH Pre-Announced a Per Share Loss of $5.14 and a $6B Capital Raise Both the loss & capital raise were larger than expected, and while the capital raise helped alleviate some liquidity concerns and brought LEH's net leverage ratio below 10x & gross leverage below 22x, continuing questions around the adequacy of marks on the remaining $65B of risk exposures and the resulting 25+% dilution to EPS from the capital raise could keep the shares range bound.	UBS Investment Research, "Global Portfolio Manager's Spotlight," June 12, 2008, p. 16.

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13-Jun-08	Net Leverage	While it's belated, and involved raising fresh capital in a highly dilutive fashion, Lehman Brothers Holdings Inc. (LEH) has significantly reduced its reliance on borrowed money - a necessary step to help right the troubled firm. But despite Lehman's contention that its efforts to reduce its leverage are now complete, that may not be the case. True, Lehman sold $130 billion worth of assets during the second quarter to improve its balance sheet. Its assets fell to 25 times shareholder equity at the end of its fiscal second quarter, from 31.7 times at the end of the first quarter - an indication that borrowings are comprising less of Lehman's capital structure. And this month's raising of $6 billion in new capital pared that number further, below 22, according to Lehman.	Rapoport, Michael, "In the Money: Lehman May Need to Do More to Cut Leverage," *Dow Jones News Service* , June 13, 2008.
13-Jun-08	Net Leverage	If the firm were to have to take further writedowns on those securities - something many observers regard as a distinct possibility - it could reduce Lehman's shareholder equity and push the leverage ratio higher. By itself, that doesn't mean Lehman would have to take further steps to reduce its leverage. But it would increase the pressure on Lehman to do so, to keep its leverage under control and in line with those of other investment banks.	Rapoport, Michael, "In the Money: Lehman May Need to Do More to Cut Leverage," *Dow Jones News Service* , June 13, 2008.
13-Jun-08	Risk Management/ Net Leverage	In fact, Erin Callan, since deposed as Lehman's chief financial officer, said in a conference call after the firm's announcement that it was 'not safe to assume' that Lehman's Level 3 assets declined during the second quarter. Even with some Level 3 assets sold or written down, other assets may have been reclassified as Level 3 because they've become harder to value, she said. For that matter, Callan made it sound like Lehman would go back to risk-taking, after a quarter focused on shoring up its balance sheet. She said the firm didn't expect to further decrease its leverage below current levels, and would use its $6 billion in new capital 'to take advantage of future market opportunities.	Rapoport, Michael, "In the Money: Lehman May Need to Do More to Cut Leverage," *Dow Jones News Service* , June 13, 2008.
13-Jun-08	Concentration of Credit Risk	And the firm said it has pared its holdings of commercial and residential mortgages and real estate investments by 15% to 20%.	Rapoport, Michael, "In the Money: Lehman May Need to Do More to Cut Leverage," *Dow Jones News Service* , June 13, 2008.
13-Jun-08	Concentration of Credit Risk	UBS Equity analyst Glenn Schorr believes that each of the brokers will likely feel the impact of ineffective hedges given the common derivative positions used to hedge cash positions, such as the CMBX, LCDX and ABX indices, rebounded in price more than the cash positions. However, the size of the impact is largely limited to Lehman given their relatively large residential and commercial real estate exposure, and their portfolio hedge effectiveness ratio was negative (was 70% in previous quarters). Lehman is scheduled to release their full results on 6/16 and the Street is anxiously awaiting further transparency and granularity in their final figures.	Bory, George, and Kevin McCarthy et al., UBS Investment Research, "UBS US Credit Compass," June 13, 2008, p. 12.
13-Jun-08	Concentration of Credit Risk	Lehman Brothers Holdings Inc. had its credit-rating outlook lowered by Moody's on a record loss and the 'vulnerability' of securities firms' access to secured funding and on concerns that the firm faces higher exposure to real estate that wasn't effectively mitigated in the quarter through hedging. Lehman's issuer rating stays at A1.	Bory, George, and Kevin McCarthy et al., UBS Investment Research, "UBS US Credit Compass," June 13, 2008, p. 19.
16-Jun-08	Net Leverage	Reduced gross leverage to 24.3x from 31.7x at the end of the first quarter, and reduced net leverage to 12.0x from 15.4x.	Lehman Brothers Holdings, Inc., “Lehman Brothers Reports Second Quarter Results,” Press Release, June 16, 2008, p. 2.

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16-Jun-08	Concentration of Credit Risk	Reduced exposure to residential mortgages, commercial mortgages and real estate investments by approximately 20% in each asset class.	Lehman Brothers Holdings, Inc., "Lehman Brothers Reports Second Quarter Results," Press Release, June 16, 2008, p. 2.
16-Jun-08	Concentration of Credit Risk	Discloses Alt-A and commercial mortgage exposures: Alt-A $12.7 billion as of November 30, 2007, $14.6 billion as of February 29, 2008, $10.2 billion as of May 31, 2008; Commercial $38.9 billion as of November 30, 2007, $36.1 billion as of February 29, 2008, $29.4 billion as of May 31, 2008.	Lehman Brothers Holdings Inc., Form 8-K, Exhibit 99.2 filed June 16, 2008.
16-Jun-08	Concentration of Credit Risk	<Q - Michael Mayo [Deutsche Bank]>: Deutsche Bank. I had some follow-ups with regard to attachments 4 through 6, and some of these are detailed but I think very important. First, of the 10 billion or last quarter 15 billion of the U.S. Alt-A and prime in the residential mortgage category, how much of that is prime? <A - Ian Lowitt [Lehman CFO and Co-Chief Administrative Officer]>: I think the majority of that is Alt-A, Mike.	Lehman Brothers, "Q2 2008 Earnings Call," June 16, 2008, p. 16.
16-Jun-08	Concentration of Credit Risk	We estimate that U.S. Alt-A, which declined from $15B to $10B (1Q08 to 2Q08) needs marks of $5.5B assuming write-downs of 30% on starting 1Q08 balances of whole loans ($3.7B), 30% on AAA rated securities ($6.4B), 60%, on other RMBS securities ($2.8B), and 50% on servicing and other ($1.7B).	Mayo, Mike, and Fischer, Matt, Deutsche Bank, "Lehman Brothers Holding, 2Q08 EPS in line w/Pre-Release; Exposures Clearer," June 16, 2008, p. 2.
16-Jun-08	Risk Management	Lehman Brothers sent shock waves across Wall Street last week, when the bank disclosed that it expected to post a quarterly loss of $2.8 billion. The bank, which has been struggling to win back investors' confidence, is scheduled to provide more details of those results on Monday. ...Lehman, which for months had assured investors that it was managing its risks well, said last week that the loss reflected $4.1 billion in write-downs of its investments.	Story, Louise, "After a Rough Year, Nearly Half of Wall Street Bank Profits Are Gone," *The New York Times* , June 16, 2008.
17-Jun-08	Concentration of Credit Risk	The $14.3 billion of U.S. residential mortgage exposures is comprised of $10.2 billion in Alt-A/Prime, $2.8 billion in subprime/second lien, and $1.3 billion in other. Of the $10.2 billion in U.S. Alt-A/Prime residential mortgages, $2.1 billion is in whole loans, $3.9 billion in AAA securities (average mark near mid 70%), $2.6 billion in other RMBS, and $1.6 billion in servicing and other.	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH 2Q08 Net Results Match Pre-Announcement," June 17, 2008, p. 10.
17-Jun-08	Concentration of Credit Risk	Deutsche Bank analyst Mike Mayo said Lehman likely will face only another $2 billion in damage, mostly in its commercial real estate portfolio. That would follow what he counts as $14 billion in total real estate losses, with $11 billion in residential mortgages and $3 billion in commercial real estate. 'The write-downs, while not over, should be much less and continue to decline by year-end, in our view,' Mayo wrote in a note to clients.	Welsch, Ed, "Wall Street Sees Lehman Nearing End of Write-Downs," *Dow Jones News Service* , June 17, 2008.

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17-Jun-08	Risk Management	Despite all the sound and fury, the only thing that separated Lehman's big loss in 2Q08 vs. prior post-bust quarters was the ineffectiveness of its hedges. In fact, asset write-downs/losses in 2Q08 were merely in line with the average of the prior three quarters. ... Before 2Q08, Lehman took $13 bil. in cumulative gross write-downs/losses, but enjoyed almost $8 bil. in short gains. Thus, at that point, it had executed one of the best risk mitigation responses in the history of Wall Street—otherwise it may have faced bankruptcy before 2Q08. ... However, the breakdown in this strategy in 2Q08 resulted in a $4 bil. hit at a time when all of the bulge firms are facing cyclically falling revenues and with still fat staffing levels. A $2.8 bil. net loss resulted and (helped by misinformation in the market) confidence in Lehman was shaken and a capital raise emerged. We believe hedging efficacy is THE ISSUE, given the large scale on both the long and short side of the equation.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Fate Lies Simply in Hedging Efficacy (or Lack Thereof)," Fox-Pitt Kelton Cochran Caronia Waller, June 17, 2008, p. 1.
17-Jun-08	Risk Management	...Bove [banking analyst at Ladenburg Thalmann] said, Lehman's hedging policies still appear to be ineffective. Lehman's tried to hedge some real estate exposures using derivatives indices, but that strategy backfired in the second quarter, when the indices rose in value, contributing to Lehman's negative net revenue of $700 million.	Welsch, Ed, "Wall Street Sees Lehman Nearing End Of Write-Downs," *Dow Jones News Service* , June 17, 2008.
18-Jun-08	Concentration of Credit Risk	We think LEH might write-down ~$4B this quarter given the deterioration in resi and comm. related indices (~10-20% and ~5-10%, respectively) and our belief that it has been selling assets especially in its comm. mortgage portfolio.	Worthington, Kenneth, and Funda Akarsu, JP Morgan - North America Equity Research, "Lehman Brothers, Expecting Another Quarterly Loss," June 18, 2008, p. 1.
19-Jun-08	Risk Management	A shareholder sued Lehman Brothers Holdings Inc. (LEH) and its top management Thursday over the investment bank's disclosures regarding its exposure to the subprime mortgage market. The lawsuit, filed in U.S. District Court in Manhattan, alleges the New York investment bank failed to properly disclose to investors its exposure to a meltdown in the subprime mortgage market and the losses it would incur as a result. "Despite this tumultuous financial climate, Lehman Brothers made repeated false and misleading statements touting the company's sophisticated and conservative risk management policies and assuring investors that it was highly unlikely that the company would suffer significantly as a result of the mortgage and credit market meltdown," the lawsuit said.	Bray, Chad, "Shareholder Suit Filed Vs. Lehman Brothers Over Subprime Hit," *Dow Jones News Service* , June 19, 2008.
30-Jun-08	Risk Management	Management was slow to derisk. However, LEH's assets continued to grow meaningfully after 2Q07, unlike several of its peers who began to dial back exposures at year-end. Thus, despite the aggressive asset sales in 2Q08, LEH's gross assets are only back to pre-crisis 2Q07 levels. LEH decided it was better to hold on to large swaths of its balance sheet and absorb incremental mark-to-market losses, rather than unload assets at a loss and preclude the opportunity to participate in a valuation recovery. In fact, the firm took this one step further, with management noting on the 1Q08 conference call that they were actually adding certain mortgage assets at the end of 1Q08.	Pinschmidt, Patrick and Avi Ghosh, “Lehman Brothers, Bruised, Not Broken – and Poised for Profitability,” Morgan Stanley, June 30, 2008, p. 4.
30-Jun-08	Net Leverage	LEH has seen gross leverage rise from 23.7x in 2003 to 31.7x in 1Q08, or ~30%, though still less than the 52% increase seen at peers.	Pinschmidt, Patrick and Avi Ghosh, “Lehman Brothers, Bruised, Not Broken – and Poised for Profitability,” Morgan Stanley, June 30, 2008, p. 5.

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Date	Topic	Excerpt	Source
30-Jun-08	CUSIP: 52523J248 Principal Issued: $12,167,700 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 and Product Supplement No. 1140-I dated May 23, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
30-Jun-08	CUSIP: 52523J255 Principal Issued: $4,035,700 Description: 100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index		Lehman Brothers Holdings Inc. Pricing Supplement No. 1 to Prospectus dated May 30, 2006, Prospectus Supplement dated May 30, 2006, Underlying Supplement No. 100 dated January 28, 2008 and Product Supplement No. 1140-I dated May 23, 2008; Third Amended Class Action Complaint For Violations of the Federal Securities Law, In re Lehman Brothers Equity/Debt Securities Litigation, 08 Civ. 5523 (LAK), April 23, 2010, Appendix B.
9-Jul-08	Risk Management/ Concentration of Credit Risk	Fitch will review management progression in reducing its exposures to mortgage based assets including subprime and Alt-A exposures, efforts to improve hedge effectiveness or alternative hedging strategies and overall relative risk appetite over the next few quarters in evaluating future ratings actions.	Fitch Ratings, "Fitch Affirms Lehman Brothers' IDRs at 'A+/F1'; Outlook Negative," July 9, 2008.

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Date	Topic	Excerpt	Source
10-Jul-08	Concentration of Credit Risk	At May 31, 2008, Residential mortgage Securities, Whole loans, and Servicing and other were $15.0 billion, $8.3 billion, and $1.6 billion, respectively. Commercial mortgage Whole loans and Securities and other were $19.9 billion, and $9.5 billion, respectively. Other asset-backed was $6.5 billion. Real estate investments, net was $10.4 billion. Other asset-backed included securities as well as whole loans. Specifically, these positions include franchise-related whole business financings, small business loans, and various asset-backed positions related to student loans, credit cards and auto loans. Approximately $805 million of the securities included within this line at May 31, 2008 were rated BB+ or lower (or equivalent ratings) by recognized credit rating agencies. Of the total, Balances shown exclude loans to which the Company does not have economic exposure because the Company transferred mortgage-related loans to securitization vehicles where such transfers were accounted for as secured financings rather than sales under SFAS 140. The securitization vehicles issued securities that were distributed to investors. The Company does not have economic exposure to the underlying assets in those securitization vehicles beyond the Company's retained interests, which are included above.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 20.
10-Jul-08	Concentration of Credit Risk	At May 31, 2008, other interests in securitizations included approximately $1.6 billion of investment grade commercial mortgages, approximately $0.1 billion of non-investment grade commercial mortgages and the remainder relates to municipal products. At November 30, 2007, other interests in securitizations included approximately $2.4 billion of investment grade commercial mortgages, approximately $0.03 billion of non-investment grade commercial mortgages and the remainder relates to municipal products.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 35.
10-Jul-08	Concentration of Credit Risk	U.S. Alt-A/Prime residential mortgages totaled $10.2 billion, $14.6 billion, and $12.7 billion on May 31, 2008, February 29, 2008, and November 30, 2007, respectively. U.S. Subprime/Second Lien residential mortgages totaled $2.8 billion, $4.0 billion, and $5.3 billion on May 31, 2008, February 29, 2008, and November 30, 2007, respectively.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 70.
10-Jul-08	Concentration of Credit Risk	The Company's commercial mortgage portfolio at May 31, 2008 was: Americas: $20.9 billion, Europe: $10.7 billion, Asia-Pacific: $8.2 billion. Weighted average loan to value at origination for senior whole loans and mezzanine whole loans was 76% an 78%, respectively. The Company's commercial mortgage portfolio diversification at May 31, 2008 was: Office: 20%, Mixed use: 15%, Hotel: 12%, Multi-family 19%, Retail: 11%, Condominium: 5%, Other: 18%	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 71.

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Date	Topic	Excerpt	Source
10-Jul-08	Concentration of Credit Risk	At May 31, 2008 and November 30, 2007, the Company had approximately $20.7 billion and $21.9 billion, respectively, of real estate positions (parcels of land and/or related physical property). The Company considers itself to have economic exposure only to its direct investments in these entities; the Company does not have economic exposure to the total underlying assets in these entities. The Company's net investment positions related to real estate, excluding the amounts that have been consolidated but for which the Company does not have economic exposure, was approximately $10.4 billion and $12.8 billion at May 31, 2008 and November 30, 2007, respectively.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 86.
10-Jul-08	Concentration of Credit Risk	As of May 31, 2008, the Company had approximately $20.7 billion of real estate investments; however, the Company's net investment at risk was limited to $10.4 billion, as a portion of these assets have been financed on a non-recourse basis. As of May 31, 2008, the Company estimates that a hypothetical 10% decline in the underlying property values associated with these positions would have resulted in a net revenue loss of approximately $1.3 billion.	Lehman Brothers Holdings Inc., Form 10-Q for the Quarterly Period Ended May 31, 2008, filed July 10, 2008, p. 95.
14-Jul-08	Net Leverage	Leverage Ratios Are In Line With Peers. In 2Q08, Lehman reduced its leverage ratio and adjusted leverage ratio 23% and 18%, respectively, resulting in ending leverage ratio of 24.3x and adjusted leverage ratio of 12.6x. Overall, Lehman's leverage was below those of its peers' in 2Q08.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Going Private May be the Best Course of Action," Fox-Pitt Kelton Cochran Caronia Waller, July 14, 2008, p. 3.
14-Jul-08	Risk Management/ Concentration of Credit Risk	Stress-Testing Problem Assets. At the end of 2Q08, Lehman had $89 billion of problem asset exposure, which included $25 billion in residential mortgage, $29 billion in commercial mortgage, $7 billion in other asset-backed securities, $10 billion in real estate related investments, and $18 billion in leveraged lending loans.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Going Private May be the Best Course of Action," Fox-Pitt Kelton Cochran Caronia Waller, July 14, 2008, p. 4.
14-Jul-08	Risk Management/ Net Leverage	Lehman's management team has made it clear that with their gross leverage at 20x and net leverage at 10x, they don't feel a need to go much lower.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Brokers", July 14, 2008, p. 3.
17-Jul-08	Concentration of Credit Risk	[The negative watch] rating actions reflect Moody's expectations for additional mark-to-market losses on Lehman's residential and commercial mortgage portfolios, which continue to pose a significant challenge to the company's ability to return to an acceptable level of ongoing profitability, a material rating concern… Moody's said that over the past two quarters Lehman has made significant progress reducing its exposures to commercial and residential real estate. 'Despite these notable risk reductions, Lehman's mortgage exposures and concentrations remain high and have weighed heavily on the firm's operating results and market confidence,' said Moody's Senior Vice President, Blaine Frantz.	Moody's Investors Service, "Rating Action: Moody's lowers Lehman Brothers rating to A2; outlook negative," July 17, 2008.
23-Jul-08	Concentration of Credit Risk	Given our overall negative view on the credit, economic and capital markets backdrop, we do think that Lehman's remaining 'problem' exposures ($83 billion across residential and commercial mortgage, real estate, other ABS, and leveraged loans) will continue to weigh on the shares and likely lead to further write-downs as the credit crisis drags on.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Lehman Brothers, Lehman Has Options, Albeit Costly Ones," July 23, 2008, p. 4.

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24-Jul-08	Net Leverage	Adjusted leverage ratio of 25x is also not necessarily excessive, particularly if higher leverage was accompanied by a reduced risk profile as commercial mortgage inventory was marked down in conjunction with asset sales; also, total assets calculation only assumes a $20bn decline in assets, which is conservative.	Pinschmidt, Patrick, "Lehman Brothers, Plausible Downside on Fundamentals Is Priced In," Morgan Stanley, July 24, 2008, p. 4.
24-Jul-08	Concentration of Credit Risk	In 2Q08, Lehman shed $147bn in gross assets, reducing its total asset base by roughly 19% vs. the prior quarter. Of this amount, approximately $22bn was in targeted illiquid asset classes, which declined 22% vs. 1Q08. The magnitude of this deleveraging was not sufficient to allay market concerns regarding the firm's remaining exposures. While we do not expect asset sales/write-downs to be as large as 2Q08, we do see LEH continuing to reduce commercial real estate exposures with an eye toward bringing total illiquid assets down another ~$20bn by year-end.	Pinschmidt, Patrick, "Lehman Brothers, Plausible Downside on Fundamentals Is Priced In," Morgan Stanley, July 24, 2008, p. 4.
24-Jul-08	Concentration of Credit Risk	Serious Issues, But Some Options Exist While LEH certainly has some major issues it is dealing with (the biggest being asset exposures & potential client erosion), we think the company has a few options (albeit some costly ones), that management can exercise to help get them out of this dilemma and eventually get the company on the path to recovery. We think the most likely are a sizable asset sale and maybe a sale of Neuberger.	UBS Investment Research, "Global Portfolio Manager's Spotlight," July 24, 2008, p. 18.
24-Jul-08	Net Leverage	Keys Are Protecting Client & Employee Franchise & Avoiding Fire Sale While clients & employees are nervous, from what we can tell, there's only been modest erosion at this point. Importantly, we think Lehman has more staying power given the existence of the Fed facility, its healthy liquidity profile, strong capital ratios, and the fact that repo counterparties have held firm.	UBS Investment Research, "Global Portfolio Manager's Spotlight," July 24, 2008, p. 18.
25-Jul-08	Risk Management/ Concentration of Credit Risk	Frankly, we've been very surprised at the breadth of misunderstanding of Lehman's risk dynamics and financial condition. But misperceptions yielded to absolute hysteria when critics said Lehman had little else besides mortgage, and that the franchise provided little value. By 110% contrast, we believe: (a) mortgage only contributed 8% of earnings at the peak; (b) its inv. bank is among the top-5 in the U.S. and top-10 in the world; (c) its equities franchise is arguably #1 in the U.S. and top-10 worldwide; (d) its non-mortgage fixed inc. units are quite strong (absent a panic); and (e) as mentioned above, its private client and asset mgmt units are worth about $10 bil.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Selling Neuberger Could be Part of MBO/Going-Private," Fox-Pitt Kelton Cochran Caronia Waller, July 25, 2008, p. 6.
4-Aug-08	Concentration of Credit Risk	Lehman's third quarter results will likely be on the soft side due to seasonality and disruptions created by the fall off in the stock, but could be meaningfully impacted by two other variables that are kind of moving targets at this point: 1) the potential loss associated with any bulk sale of "problem" assets, and 2) where Alt-A prices close the quarter as Lehman had roughly $10 billion of exposure at the end of May. This is important as so far this quarter, Alt-A securities are down roughly 10-15%, which could produce a negative swing in Lehman's revenues of roughly $1 billion.	UBS Investment Research, "Broker/Univ. Bank/Exchange Takeaways," August 4, 2008, p. 3.
4-Aug-08	Concentration of Credit Risk	On the asset sale side, we think Lehman is on pace to trim commercial real estate exposure by 20% or so this quarter without realizing a huge hit to the P&L. However, we are not sure the market will view this is a meaningful enough step and the recent CDO sale by Merrill may increase the pressure on Lehman to offload a sizable chunk of its "problem" assets.	UBS Investment Research, "Broker/Univ. Bank/Exchange Takeaways," August 4, 2008, p. 3; Also stated in UBS Investment Research, "Capital Markets-What to Watch Monthly," August 4, 2008, p. 8.

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Date	Topic	Excerpt	Source
4-Aug-08	Concentration of Credit Risk	We now expect LEH to post a loss for the quarter given negative marks related to Alt-A mortgages and a potential loss on a bulk sale of commercial real estate assets.	UBS Investment Research, "Capital Markets- What to Watch Monthly," August 4, 2008, p. 1.
4-Aug-08	Concentration of Credit Risk	We Tweaked Estimates for LEH & GS. ...C252	Luard, Caspar, UBS Investment Research, "Morning Expresso - United States," August 4, 2008, p. 3.
8-Aug-08	Concentration of Credit Risk	While somewhat calmer recently, credit and equity markets remain concerned with Lehman's risk concentrations, particularly in commercial real estate and mortgages, as well as Alt-A residential mortgages.	Goldschneider, Sandra, and Michael Tagliaferro, UBS Wealth Management Research, "Lehman Brothers, Corporate Update, Focused on De-Risking and Deleveraging," August 8, 2008.
11-Aug-08	Risk Management/ Net Leverage	Lehman Brothers. ...Focused on de-risking and deleveraging. ...We think management gets the market's message and is focused on shedding more balance sheet risk.	Sawe, Joseph Anthony, "UBS Daily Guide, WMR Global Morning Update, Earnings Downdraft to Continue," UBS Wealth Management Research, August 11, 2008, p. 5.
15-Aug-08	Concentration of Credit Risk	In FICC, we expect meaningful write-downs at Merrill, Lehman, and Citi related to Alt-A, CDO, monoline, leveraged loan, and CMBS exposure (and perhaps losses on asset sales), but marks may be less impactful for Goldman, Morgan Stanley, and JPMorgan (though JPM noted in its 10Q that losses so far in 3Q are $1.5 billion).	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Brokers & Universal Banks," August 15, 2008, p. 2.
18-Aug-08	Concentration of Credit Risk	The firm has an additional $11.5 billion in exposure to leveraged-buyout financing.	Smith, Randall and Susanne Craig, "Lehman Faces Another Loss, Adding Salt to Its Wounds," *The Wall Street Journa* l, August 18, 2008.
18-Aug-08	Concentration of Credit Risk	For example, Lehman holds $10.2 billion of Alt-A mortgages, or loans made to borrowers who didn't fully document their income. The firm has an additional $11.5 billion in exposure to leveraged-buyout financing. David Trone, an analyst at Fox-Pitt, Kelton, predicts that Lehman will write down its Alt-A portfolio by about $1.7 billion, or 17%, at the end of the current quarter.	Smith, Randall and Susanne Craig, "Lehman Faces Another Loss, Adding Salt to Its Wounds," *The Wall Street Journal* , August 18, 2008.
18-Aug-08	Concentration of Credit Risk	The likelihood of back-to-back quarterly losses, fueled by widely anticipated write-downs in a portfolio saddled with more than $50 billion in risky real-estate and mortgage assets, puts even more pressure on Lehman Chairman and Chief Executive Richard S. Fuld Jr. to show that the losses won't keep piling up. If they do, Lehman could need to raise additional capital beyond the $6 billion it got in June. In the past few months, Lehman officials have examined an array of options to bolster the company's financial position, ranging from selling troubled real-estate assets at a discount to divesting a piece of profitable asset-management unit Neuberger Berman, according to people familiar with the matter.	Smith, Randall and Susanne Craig, "Lehman Faces Another Loss, Adding Salt to Its Wounds," *The Wall Street Journal* , August 18, 2008.

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Date	Topic	Excerpt	Source
18-Aug-08	Concentration of Credit Risk	An additional markdown of as much as 20% related to the firm's remaining $64 billion in mortgage and commercial real-estate exposure 'seems like a lot but can't be ruled out,' Mr. Moszkowski argues. If that were to happen, Lehman might need to raise more capital.	Smith, Randall and Susanne Craig, "Lehman Faces Another Loss, Adding Salt to Its Wounds," *The Wall Street Journal* , August 18, 2008.
21-Aug-08	Concentration of Credit Risk	One analyst expects Lehman Brothers, Goldman Sachs, and Morgan Stanley to take write-downs totaling more than $6 billion. And that's just over a three-month period. So the reason behind all this? Well, the value of the firms' mortgage assets are dwindling, and they're dwindling fast. And it's not just subprime mortgages, but prime mortgages -- those are the ones that are given to people with good credit -- and commercial mortgages. They're all depreciating, as well.	CNN, "SHOW: CNN Newsroom" Speaker: Stephanie Elam, CNN Correspondent, August 21, 2008.
27-Aug-08	Concentration of Credit Risk	We believe the company is on pace to reduce illiquid residential and commercial mortgage overhang by at least 20% in 3Q. However, this implies 'only' a $13 billion reduction in a $65 billion portfolio. We believe another $10-15 billion reduction (likely via a large asset disposition to a third party) may be needed to assuage fears regarding the potential marks and level of toxicity of its remaining illiquid portfolio (i.e., “survivor bias” fears).	Morgan Stanley, "Lehman Brothers, Reducing 3Q EPS to Reflect Mortgage Marks, De-Risking," August 27, 2008, p. 2.
27-Aug-08	Concentration of Credit Risk	While hedges appear poised to work better than in the prior quarter, we believe the significant decline in the difficult-to-hedge Alt-A portfolio will obscure some of this improvement. 3Q08 estimate reflects a significant deterioration in commercial mortgage market as well as another leg down in Alt-A residential mortgages. We believe the combination of spread widening and forced asset sales at discounts to prevailing market prices will drive $1.0bn in write-downs in the commercial mortgage book, $1.7bn in write-downs in Alt-A book, as well as $0.8bn in write-downs across remaining the Resi portfolio and LBO loan book...	Pinschmidt, Patrick, Morgan Stanley, "Lehman Brothers, Reducing 3Q EPS to Reflect Mortgage Marks, De-Risking," August 27, 2008, p. 2.
3-Sep-08	Concentration of Credit Risk	Since adjusting our estimates for Lehman at the end of July, market conditions have continued to deteriorate, which will likely lead to larger write-downs on residential and commercial real estate assets, and trading and investment banking activity have also declined meaningfully.	UBS Investment Research, "Capital Markets-What to Watch Monthly," September 3, 2008, p. 7.
3-Sep-08	Concentration of Credit Risk	While we think Lehman will show further progress in reducing exposure to risky mortgage assets (maybe down another 20% q/q), we do not think a bulk sale or asset flush is going to happen prior to the 3Q earnings announcement (sometime next week), given how far asset prices have fallen, the amount of due diligence involved, and the need for Lehman to maintain its single-A credit rating.	UBS Investment Research, "Capital Markets-What to Watch Monthly," September 3, 2008, p. 8.
4-Sep-08	Concentration of Credit Risk	Lehman's stock has of course been under pressure as equity mkts fret about its problem assets. Included in this, Lehman has $30 bil. in comml. mortgage securities and loans, which are performing quite well. Although the weakening economy will likely trigger increases in losses, we have little doubt that credit in this area will stand up far stronger than sub-prime.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Assessing Strategic Alternatives for Commercial Mortgage," Fox-Pitt Kelton Cochran Caronia Waller, September 4, 2008, p. 1.
8-Sep-08	Concentration of Credit Risk	Lehman's residential mortgage-related positions were $24.9 billion as of the end of 2Q08. This includes $10.2 billion in U.S. Alt-A/Prime, $2.8 billion in U.S. subprime/second lien, and $9.3 billion in Europe. We estimate a net write-down of ~$2.7 billion to residential mortgage-related positions or an 11% markdown.	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH: Cutting Estimates," September 8, 2008, pp. 2-3.

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Date	Topic	Excerpt	Source
9-Sep-08	Concentration of Credit Risk	Mgmt Probably Needs To Rid Itself Of All Problem Mortgage Assets At Once. Last week, we provided analysis on the feasibility of Lehman removing its commercial mortgage exposure via four alternatives (simple spin-off, sponsored spin-off, structured vehicle, and fire-sale). The problem is that Lehman's critics would still point to its $25 billion in residential mortgage assets (we believe this now resides at $19.5 billion post- 3Q08). In normal times, the removal of perceived risk via actions on comml. Mortgage would result in multiple expansion, but the market's view of Lehman is so overwhelmingly negative that we aren't holding our breath. As a result, management may have no choice but to 'exit' both commercial mortgage and residential mortgage in one fell swoop. Naturally, these transactions are challenging enough to analyze and negotiate, so we don't underestimate the practical difficulty of pulling off two complex transactions at once. Furthermore, funding would be needed, and one alternative could be a sale of the Investment Management unit, which would mean three major transactions to be analyzed, negotiated, and executed.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Final Options for Saving the Company," Fox-Pitt Kelton Cochran Caronia Waller, September 9, 2008, p. 3.
9-Sep-08	Concentration of Credit Risk	Without Mortgage, Lehman's Balance Sheet Would Be the Cleanest Among Peers. Were the commercial and residential mortgage portfolios to be removed, with no residual risk exposure, this would put Lehman's balance sheet as the cleanest among peers, each of which has exposure to several perceived problem asset categories. Nonetheless, Lehman's remaining exposures would be: 1. Leveraged Loans--$18 billion; this category is seeing stable pricing, sales clearing the market, and not all of this exposure is of problematic vintage; this bucket includes about $2 billion in senior debt associated with Archstone, whose threat of future write-downs/losses is not particularly material. 2. 'Other' real estate--$10 billion; this category includes another overhyped problem—SunCal debt, which is a $1.6 billion—but otherwise includes various small miscellaneous real estate related holdings. 3. Archstone equity—this is carried at $1.8 billion and resides in the equities portfolio. 4. 'Other' asset-backed—this $6.5 billion includes plain-vanilla securitizations of non-mortgage/real-estate including student loans, small business, franchise loans, credit card, and auto. So even with a commercial and residential mortgage removed, there would still be about $30-$35 billion in assets that cynics could pick at. In reality, however, we believe only half of this aggregate balance represents bona-fide 'problem' assets, and that Lehman's balance sheet would be cleaner than each of its peers, were the commercial and residential portfolios to indeed be removed.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Final Options for Saving the Company," Fox-Pitt Kelton Cochran Caronia Waller, September 9, 2008, p. 3.
10-Sep-08	Concentration of Credit Risk	Hedges on residential mortgages were ineffective especially for Alt-As. Write-downs were driven primarily by the U.S. Alt-A/Prime exposures.	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH Reports 3Q08 EPS Loss of ($5.92) and Net Write-Down of $5.6B," September 10, 2008, p. 6.
10-Sep-08	Concentration of Credit Risk	Lehman disclosed several initiatives: Significant reduction in residential mortgages (down 47% to $13.2 billion), commercial real estate (down 18% to $32.6 billion) and other illiquid assets.	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH Reports 3Q08 EPS Loss of ($5.92) and Net Write-Down of $5.6B," September 10, 2008, p. 3.

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10-Sep-08	Risk Management/ Concentration of Credit Risk	LEH announced it will spin-off a vast majority of the firm's commercial real estate assets into a new separate public company called Real Estate Investments Global ("REI Global"). REI Global will be an independently managed and traded public company in 1Q09. Roughly $25 billion to $30 billion of commercial assets is expected be transferred to REI global. Lehman will capitalize 20% to 25% of the asset value (or $5 billion to $7.5 billion) and provide debt financing of 75% to 80% of the total. After the spin-off, the expected remaining commercial real estate position is $5 billion for Lehman.	Whitney, Meredith, Kalmon Chung and Joseph Mack, Oppenheimer, "Lehman Brothers Holdings Inc., LEH Reports 3Q08 EPS Loss of ($5.92) and Net Write-Down of $5.6B," September 10, 2008, p. 4.
10-Sep-08	Concentration of Credit Risk	Finally, management has stated that 'the firm remains committed to examining all strategic alternatives to maximize shareholder value'… this commitment is critical to the degree that the risk of the firm's commercial real estate asset concentration has been retained/values deteriorate further.	Roth Katzke, Susan and Ross Seldon, Credit Suisse - Americas/United States Equity Research, "Lehman Brothers, Starting the Clean Up: Follow Through Critical," September 10, 2008, p. 2.
10-Sep-08	Concentration of Credit Risk	We believe 3Q08 EPS and strategic announcements offered more clarity on illiquid asset dispositions and capital position. However, we believe these positives may be partly offset by continued uncertainty on commercial real estate portfolio. While majority stake sale of investment management business and better comfort on residential mortgage exposure (conservative marks/partial asset sale pending with portfolio slated to decline by nearly half to ~$13bn) are notable positives, outlook for $33bn commercial real estate portfolio is less clear. LEH offered a plan and a timetable here (1Q 2009 spin-off of $25-30bn in commercial real estate assets into a 'SpinCo')…	Pinschmidt, Patrick, Morgan Stanley, "Lehman Brothers, Quick Take on 3Q EPS, Strategic Initiatives," September 10, 2008, p. 1.
10-Sep-08	Risk Management/ Concentration of Credit Risk	Among the initiatives announced were a reduction in the annual dividend, a plan to spin off commercial real estate assets in a transaction that should be completed in 1Q09, and the sale of a majority stake in the investment management division (IMD). If successfully executed, these initiatives will significantly reduce risk and leverage for the company, positioning it as a smaller, less fixed-income focused company.	Tagliaferro, Michael, and Barry McAlinden, UBS Wealth Management Research, "Investment Theme: Assessing Lehman's Bonds and Preferreds," September 10, 2008.
11-Sep-08	Risk Management	Bank of America analyst Michael Hecht seemed to share Whitney's view, calling the plans as 'lots of talk, not enough action.' He noted, 'While Lehman has made solid progress in reducing risk exposures, sizable exposures remain and we remain concerned about the pro forma mix of common vs. preferred/hybrid equity.'	Kardos, Donna, "Analysts: Lehman Moving in Right Direction, But Not Enough," *Dow Jones News Service* , September 11, 2008.
11-Sep-08	Concentration of Credit Risk	Lehman continued to make progress reducing risk exposures in 3Q, with residential mortgage exposure down 47% (including the pending sale of UK assets to BlackRock), commercial real estate assets down 18% (people wanted more here), and leveraged loans down 38%.	Schorr, Glenn and Mike Carrier et al., UBS Investment Research, "Lehman Brothers, Crunch Time for Lehman," September 11, 2008, p. 2.

Appendix C:
Timeline of Public Disclosures Related to Lehman Brothers' Net Leverage, Risk Management, and Concentration of Credit Risk
Includes Issue Date, Principal Issued, and Description of 31 At-Issue Securities

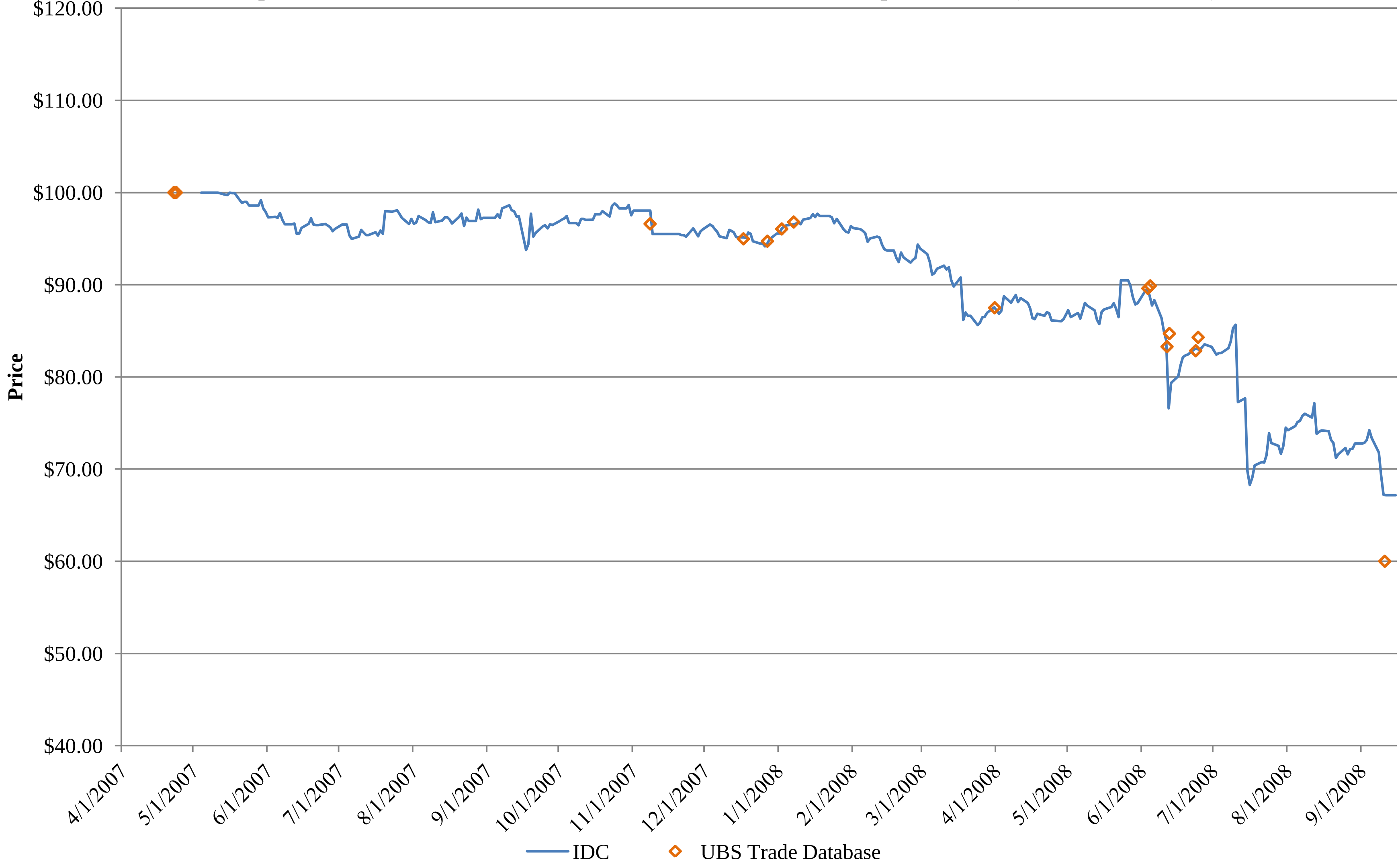
Date	Topic	Excerpt	Source
11-Sep-08	Concentration of Credit Risk	The reason is that most of the write-down was driven by an increase in Alt-A mortgage delinquencies. Alt-A loans often were granted without the borrower showing proof of income or assets or both. Holders of subprime loans, which have experienced high delinquency and loss rates, can hedge that exposure by taking a position in the ABX subprime index, which measures the cost of insuring against defaults on subprime bonds. Falling prices for the index yields profits to offset falling prices on the subprime securities. Problem is there is no such index for hedging Alt-A mortgage securities where Lehman had its greatest exposure. Lehman constructed hedges based on an index of home- price appreciation and the ABX index. It also used a combination of credit default swaps on indexes and swaps on individual bond issues. But it was an imperfect device at best. On the conference call with analysts Wednesday, managers said the value of Alt-A assets dropped 20 to 25 basis points, but the hedge positions fell only 4 to 8 points, which meant only a fraction of the loss was truly hedged. Difficulty hedging its Alt-A exposure led the company to accelerate its sale of those assets, said Lowitt.	Jones, Steven, D., "In the Money: Lehman Lacked Hedge for Alt-A Exposure," *Dow Jones News Service* , September 11, 2008.
11-Sep-08	Concentration of Credit Risk	As they digested the moves Lehman Brothers Holdings Inc. (LEH) announced Wednesday to dramatically reduce the brokerage's exposure to commercial real estate and residential mortgages and generate more capital, analysts wondered if the effort, while large, will be enough. Wednesday, the firm announced plans to spin off to its shareholders the 'vast majority' of its commercial real-estate assets, sell about a 55% interest in its investment-management division and slash its dividend 93% as it also predicted a fiscal third-quarter loss of $3.9 billion.	Kardos, Donna, "Analysts: Lehman Moving in Right Direction, But Not Enough," *Dow Jones News Service* , September 11, 2008.
11-Sep-08	Concentration of Credit Risk	LEH Reported a Larger Than Expected Loss of $5.92 Per Share. ...The loss (driven by $7.8 bn of gross write-downs) was bigger than expected and there are still plenty of unanswered questions, but Lehman definitely reduced risk in 3Q (total mortgage assets declined 23% q/q) and its capital ratios (11.0% Tier 1), liquidity profile ($42 bn at the parent) and core revenues of $3.5 bn were all some version of pretty good considering the backdrop.	Luard, Caspar, UBS Investment Research, "Morning Expresso - Europe," September 11, 2008, p. 6.
11-Sep-08	Concentration of Credit Risk	Market Forces May Shrink Time Horizon Given LEH's reduced risk profile, its healthy capital ratios, and conservative marks on its residential mortgage exposures, it certainly seems like there should be value here. However, given that the rating agencies may have a fairly short time horizon and Lehman's relatively weak bargaining position, we worry that market forces could lead to a reasonably dilutive capital raise/sale at some point.	Luard, Caspar, UBS Investment Research, "Morning Expresso - Europe," September 11, 2008, p. 6.
11-Sep-08	Concentration of Credit Risk	At 3Q08-end, Lehman had a liquidity pool of $42 bil. Given that it doesn't rely on prime brokerage cash, Lehman's funding exposure is comprised of $57 bil. in repo and $4 bil. in comml. paper, but $9 bil. Of this is from Lehman's own banks. Therefore, its net exposure is $52 bil., and if 81% of this were to dry up, Lehman would be bankrupt.	Trone, David and Ivy De Dianous, US Investment Banks and Brokers, "Lehman Brothers, Suspending Rating and Price Target," Fox-Pitt Kelton Cochran Caronia Waller, September 11, 2008, p. 1.

Note:

Press articles were obtained from The New York Times, The Wall Street Journal and Dow Jones News Service. Television transcripts were obtained through LexisNexis.

Appendix D

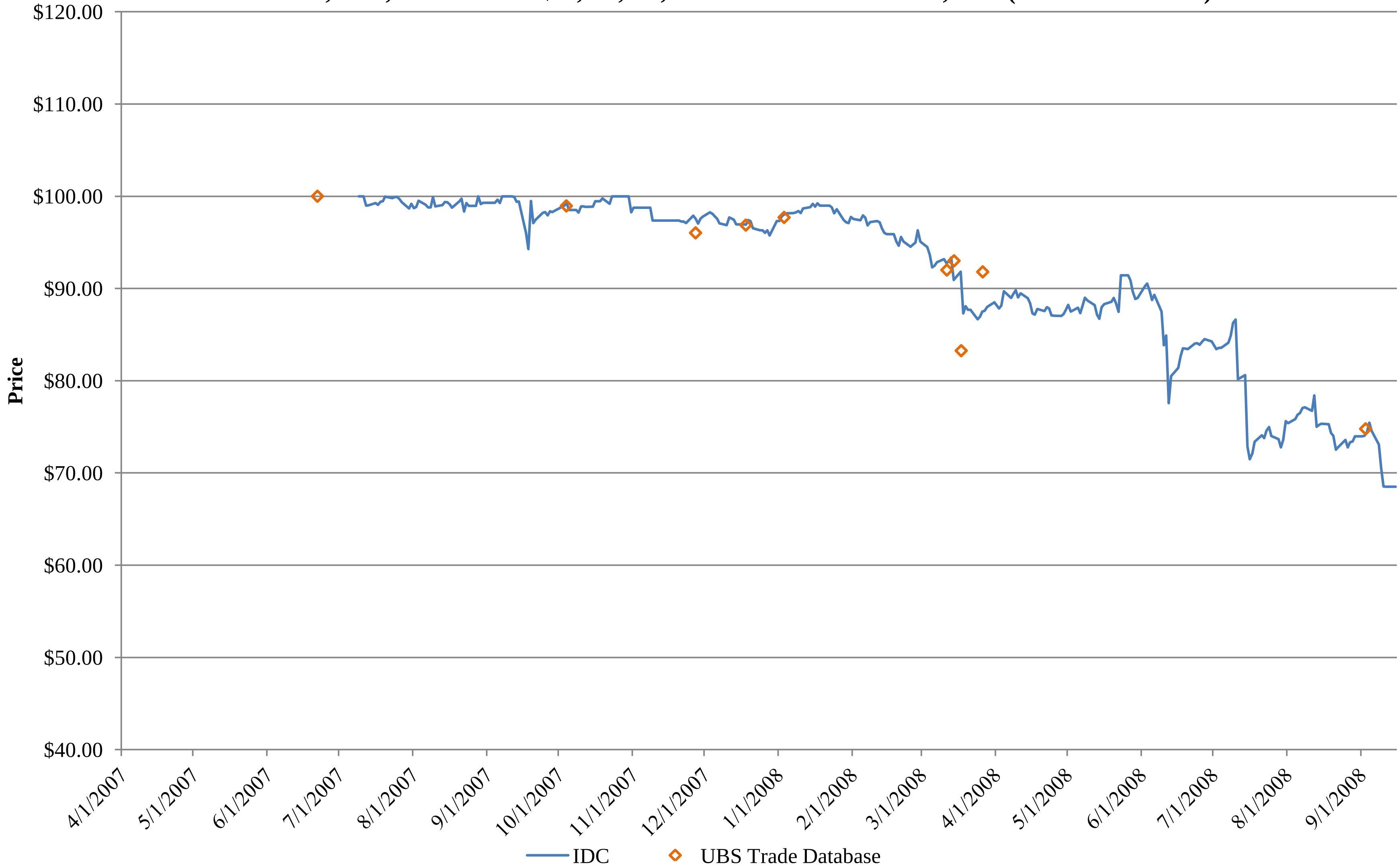
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due April 30, 2022; Face Value of $18,900,000; Settlement Date of April 30, 2007 (CUSIP 52517PX63)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

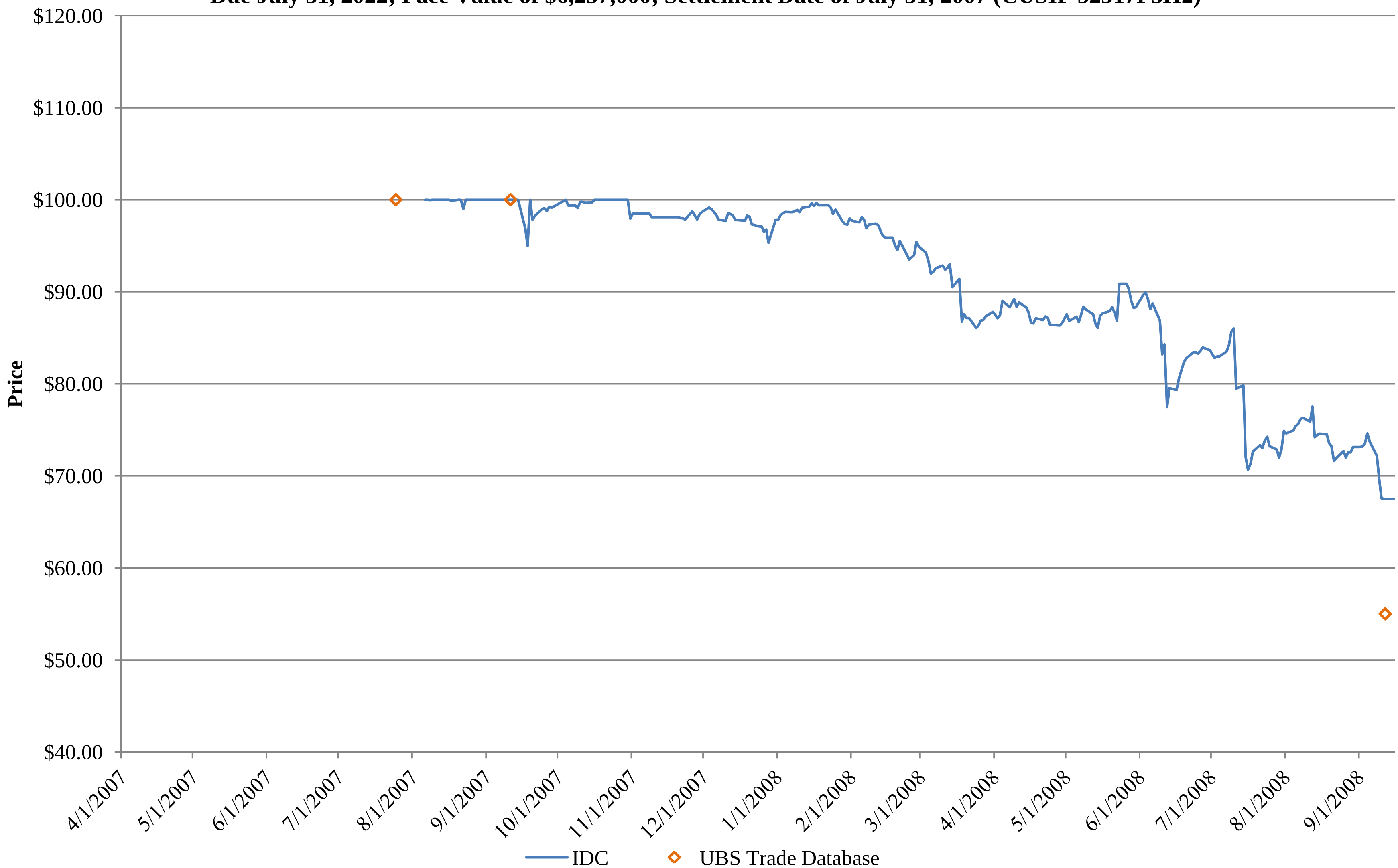
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due June 29, 2022; Face Value of $13,240,000; Settlement Date of June 29, 2007 (CUSIP 52517P2P5)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

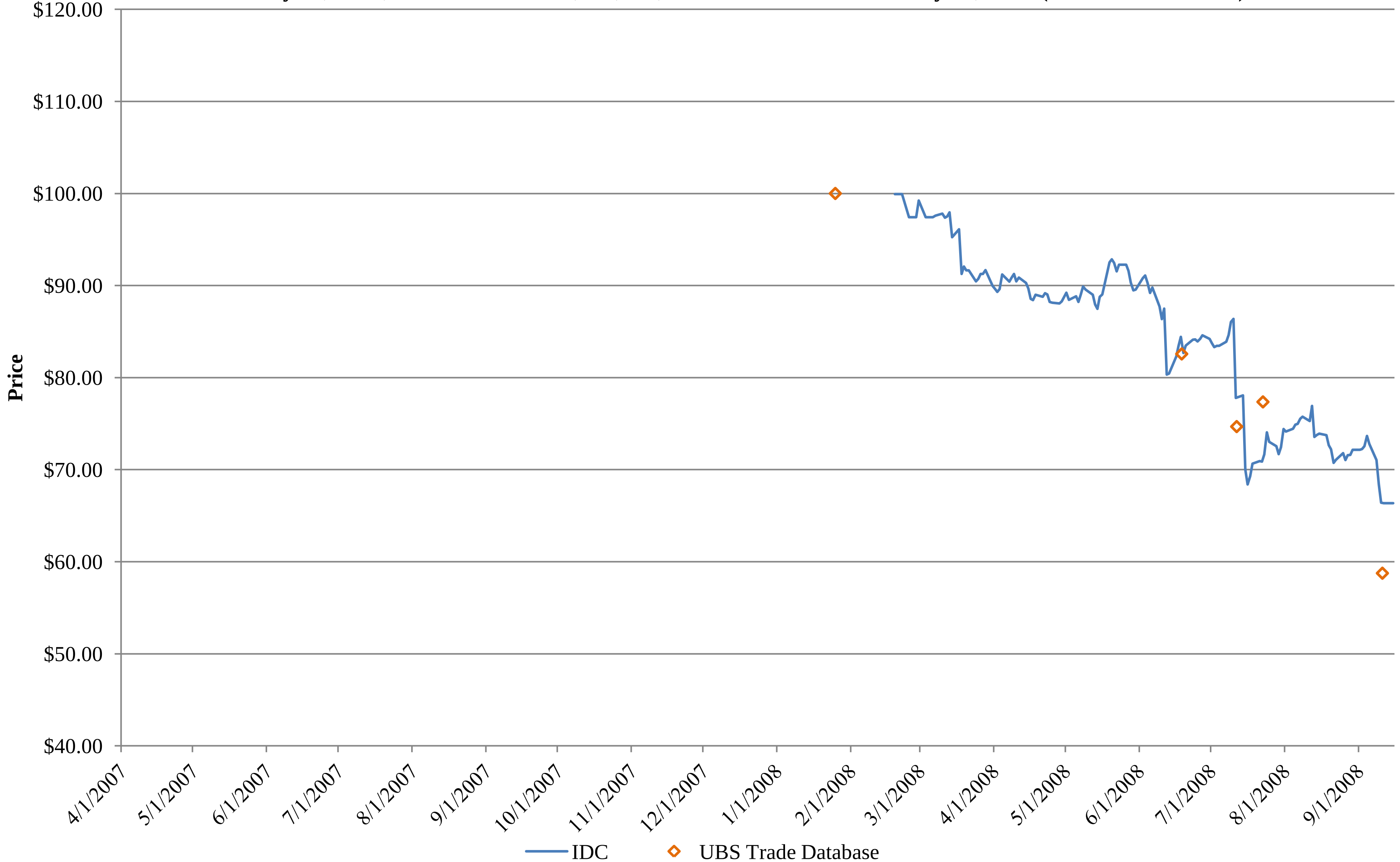
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due July 31, 2022; Face Value of $6,257,000; Settlement Date of July 31, 2007 (CUSIP 52517P3H2)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

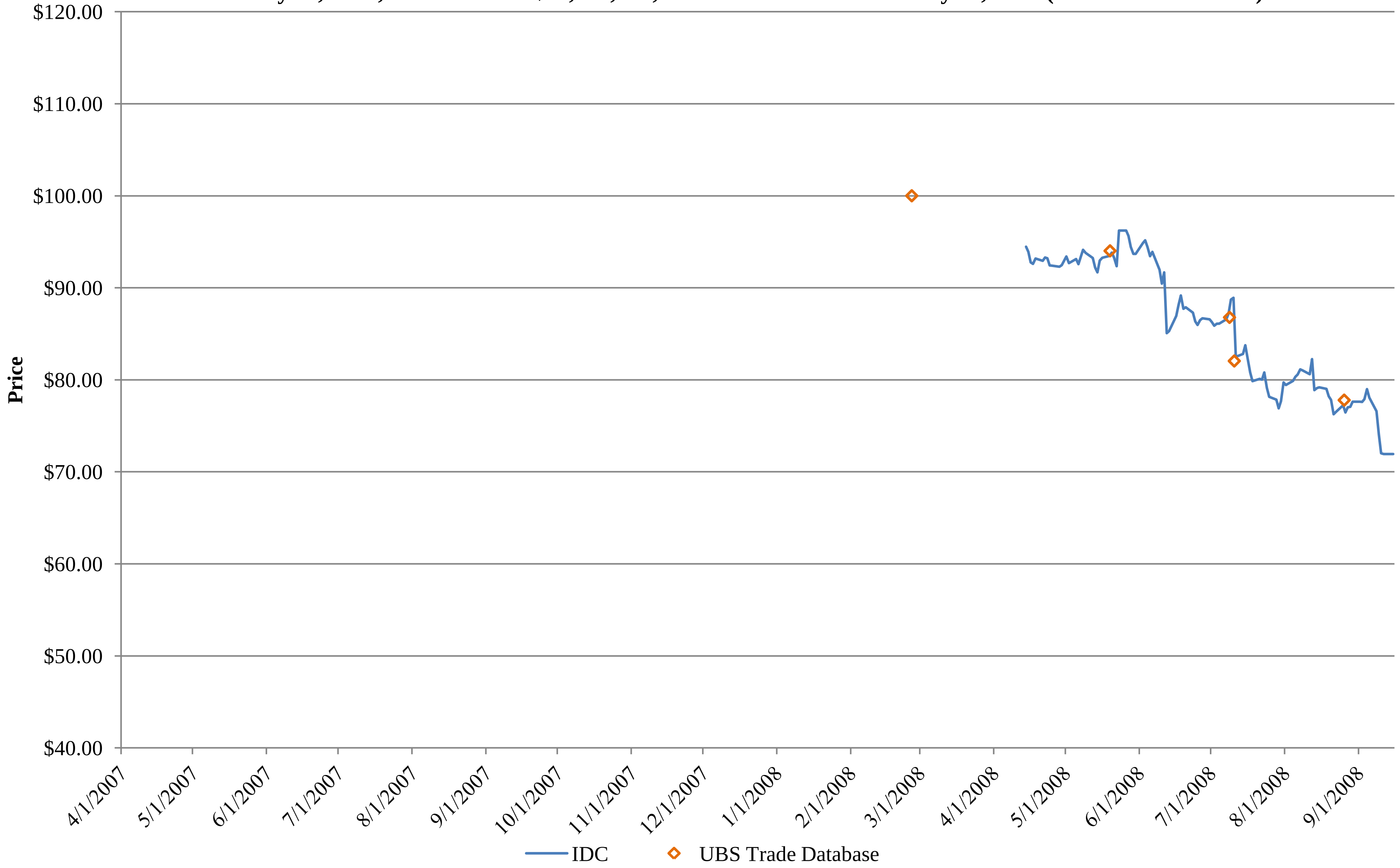
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due January 31, 2023; Face Value of $20,373,000; Settlement Date of January 31, 2008 (CUSIP 52517P4N8)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

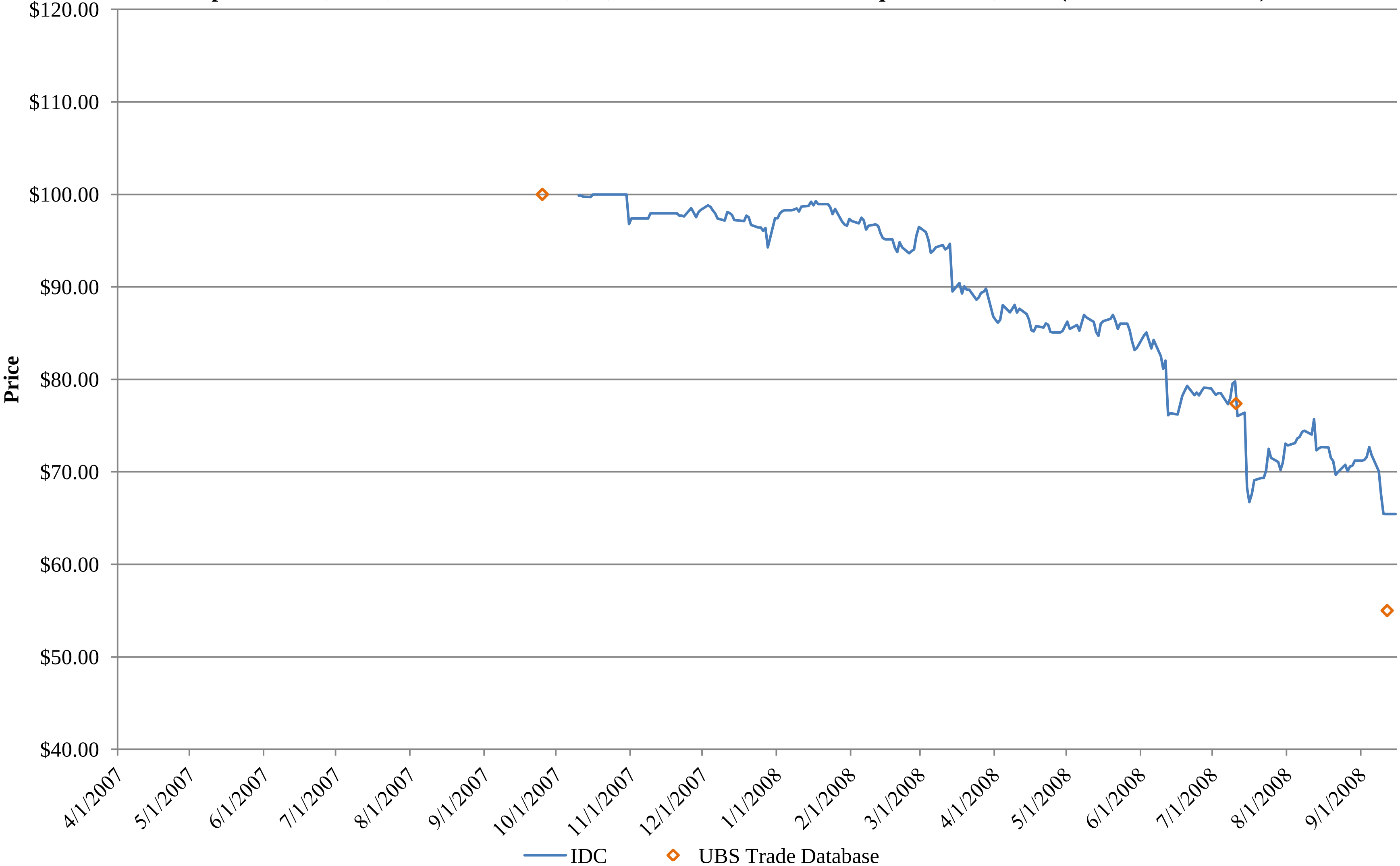
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due February 28, 2023; Face Value of $15,827,000; Settlement Date of February 29, 2008 (CUSIP 5252M0CZ8)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

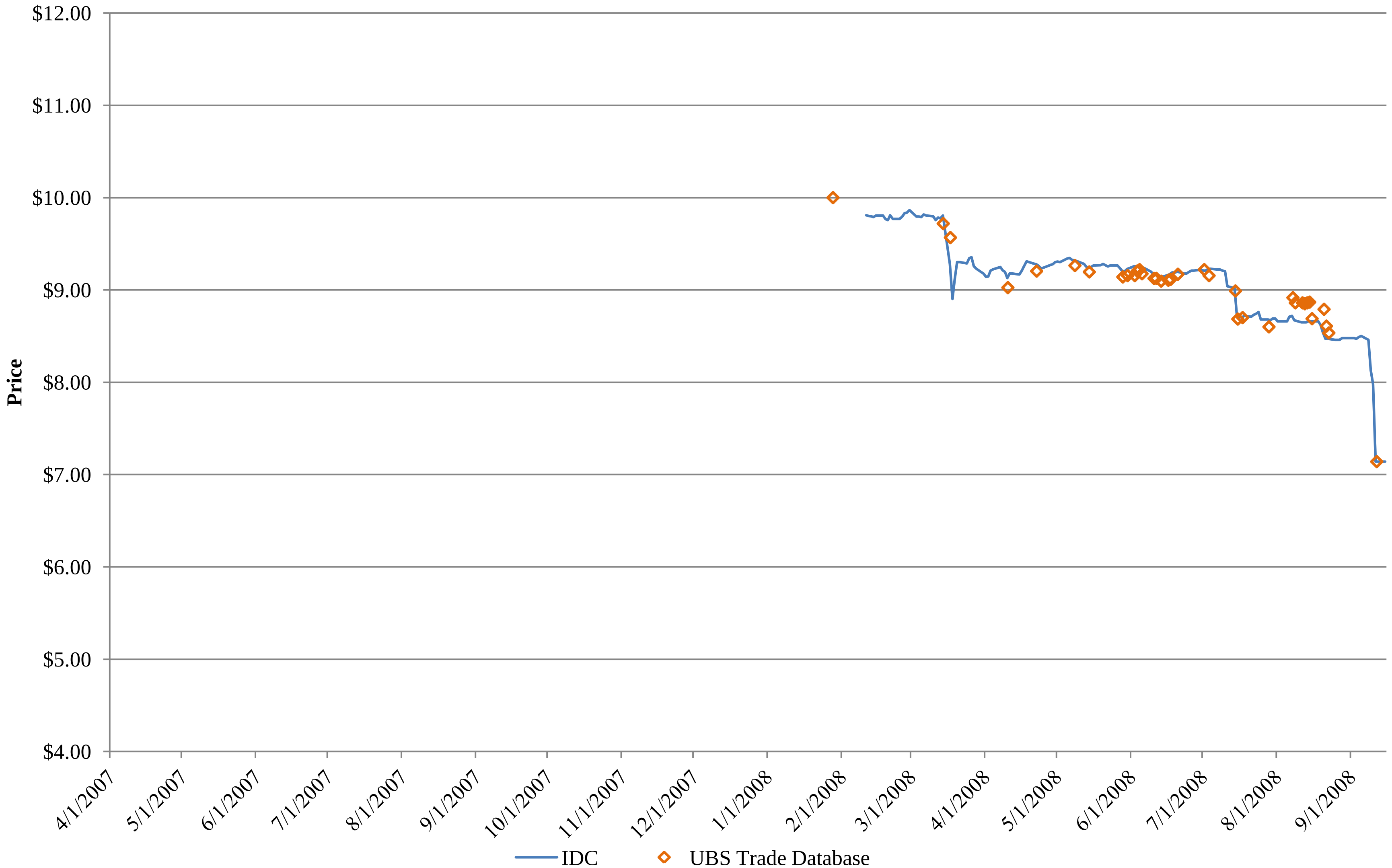
100% Principal Protection Callable Spread Daily Accrual Notes with Interest Linked to the Spread between the 30-year and the 2-year Swap Rates
Due September 28, 2022; Face Value of $4,680,000; Settlement Date of September 28, 2007 (CUSIP 52517P5K3)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

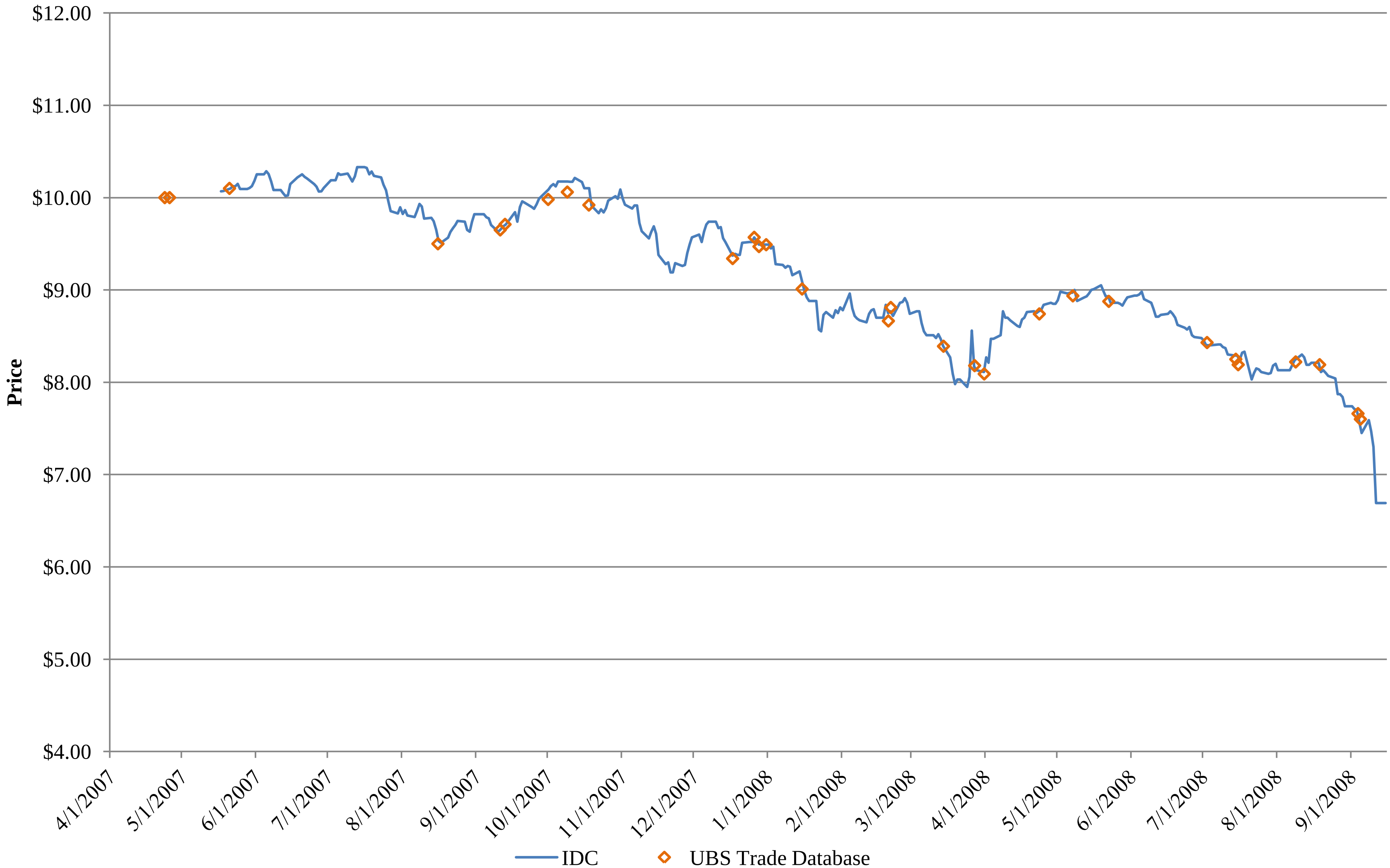
Appendix D

100% Principal Protection Notes Linked to an Asian Currency Basket
Due January 29, 2010; Face Value of $15,000,000; Settlement Date of January 31, 2008 (CUSIP 52520W325)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

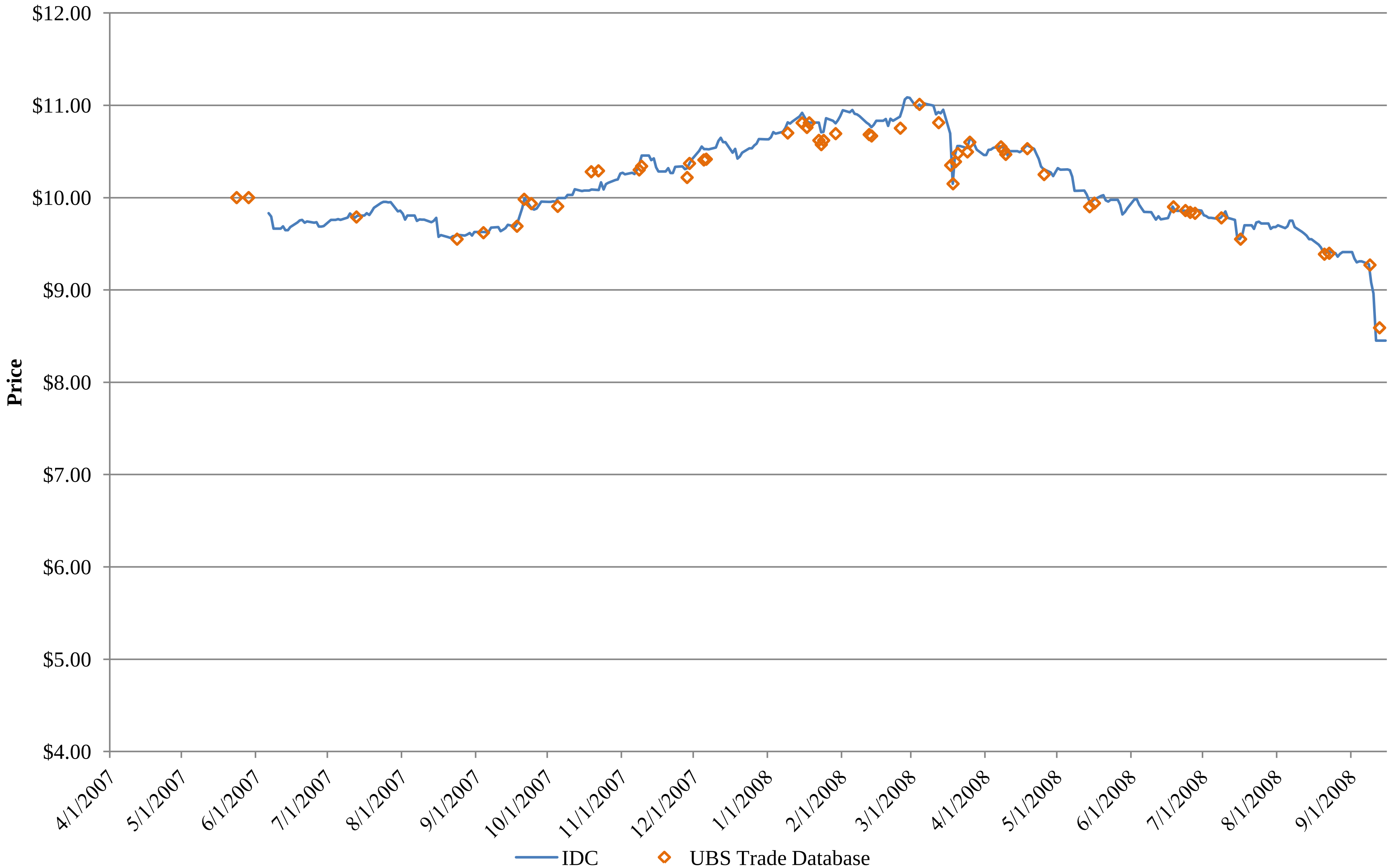
Performance Securities with Partial Protection Linked to a Global Index Basket
Due April 30, 2010; Face Value of $23,000,000; Settlement Date of April 30, 2007 (CUSIP 52520W515)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

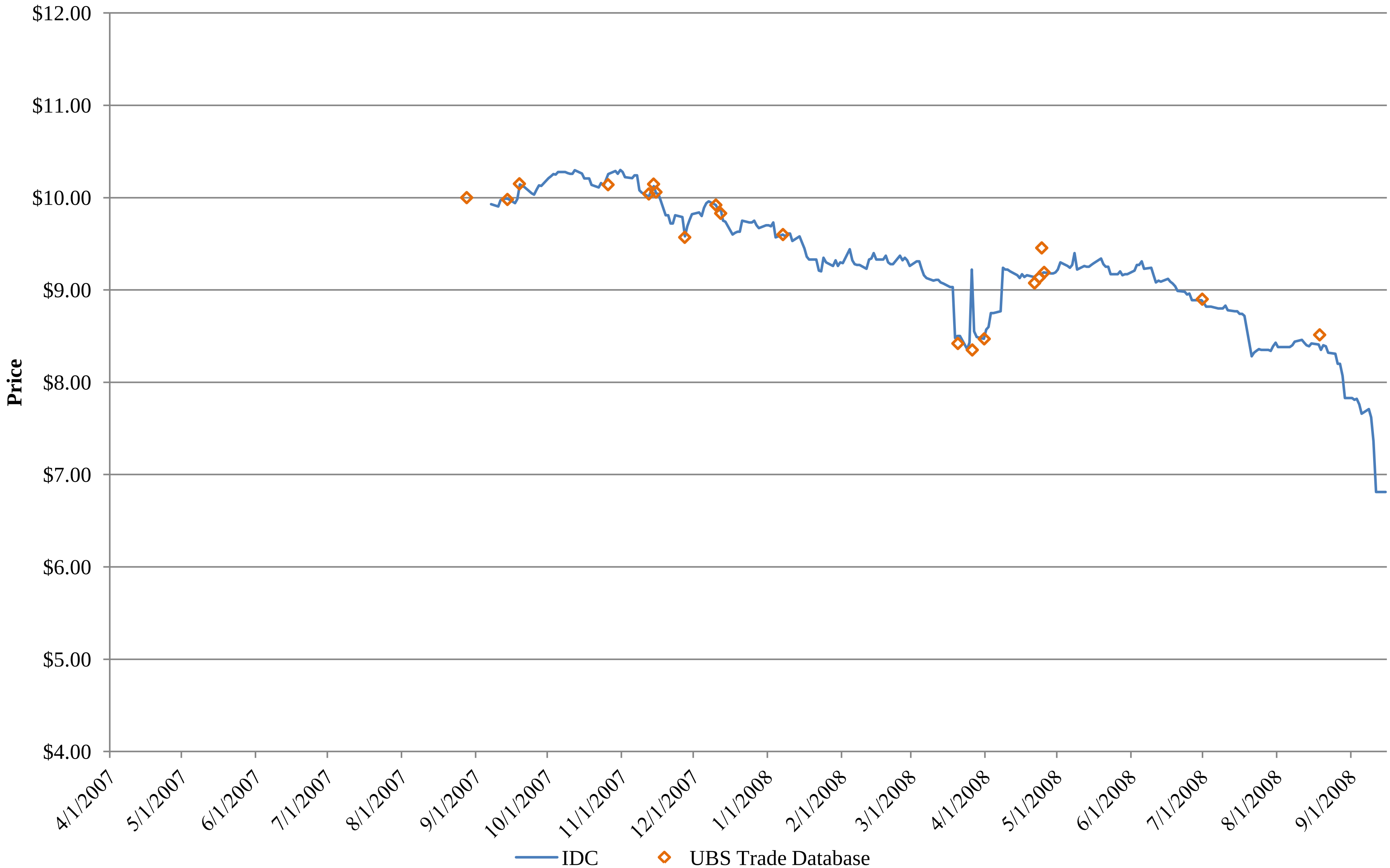
100% Principal Protection Notes Linked to a Currency Basket
Due May 29, 2009; Face Value of $12,997,600; Settlement Date of May 31, 2007 (CUSIP 52520W440)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

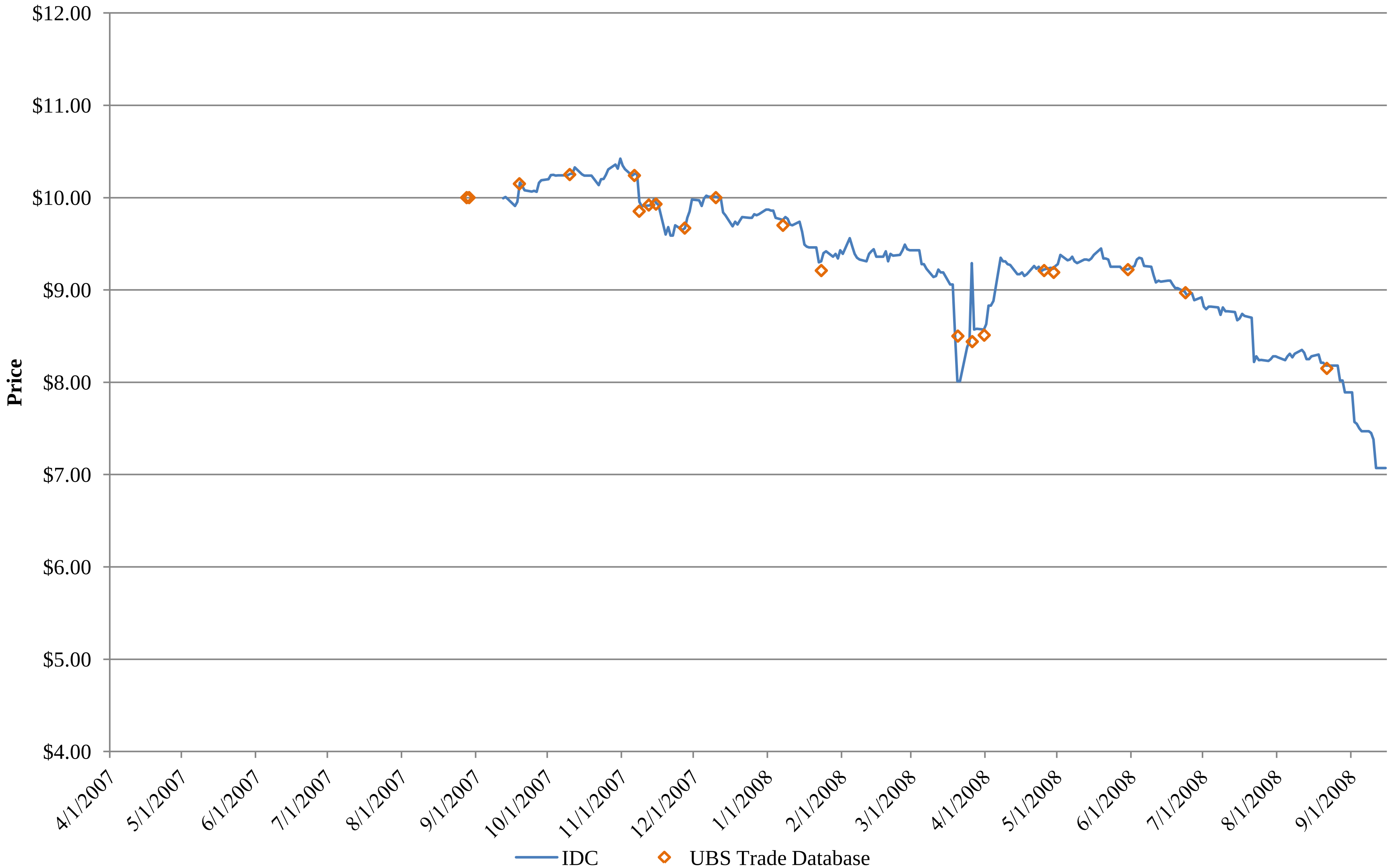
100% Principal Protection Notes Linked to a Global Index Basket
Due August 31, 2011; Face Value of $16,946,020; Settlement Date of August 31, 2007 (CUSIP 52522L889)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

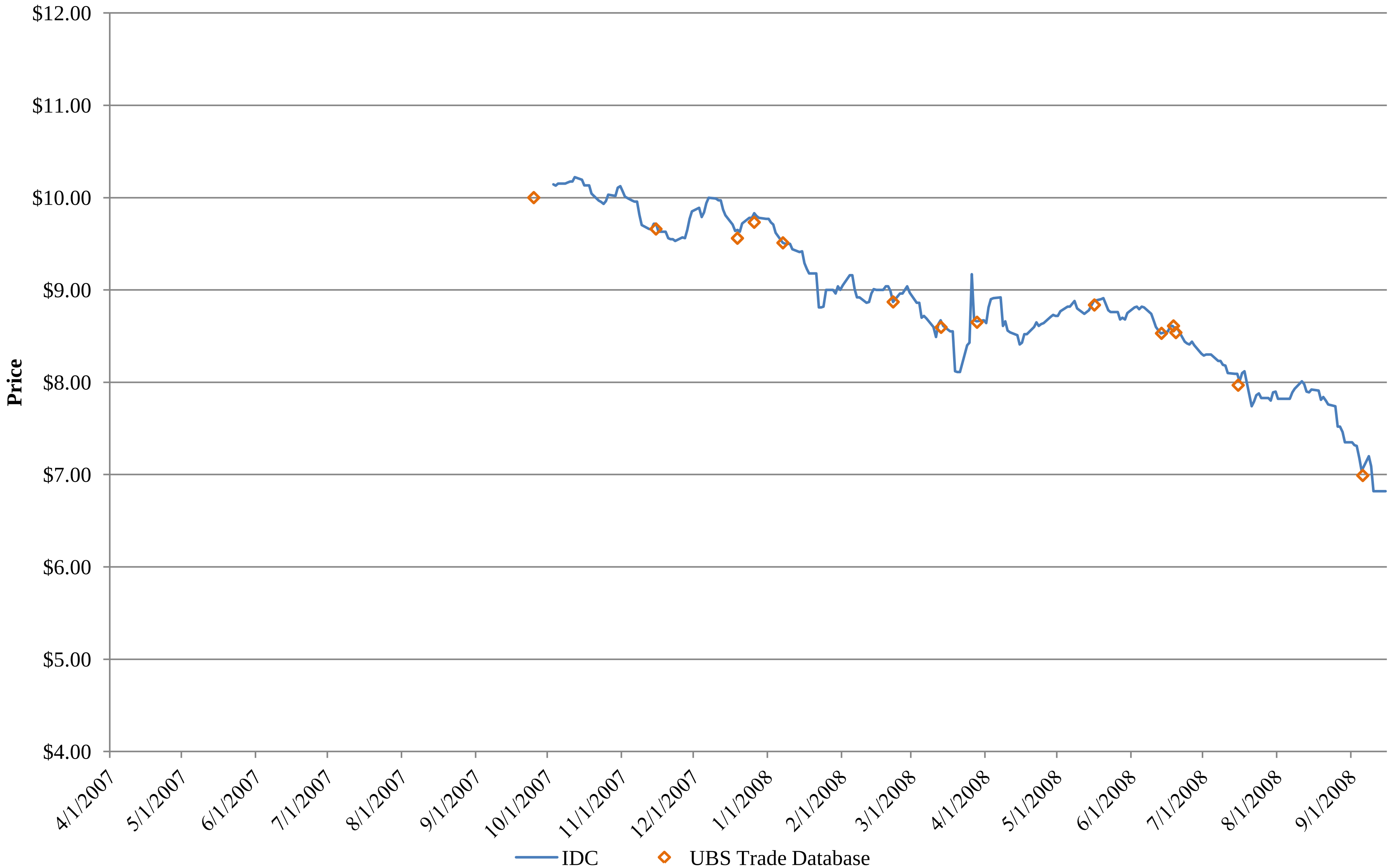
100% Principal Protection Notes Linked to an International Index Basket
Due August 31, 2011; Face Value of $8,238,780; Settlement Date of August 31, 2007 (CUSIP 52522L186)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

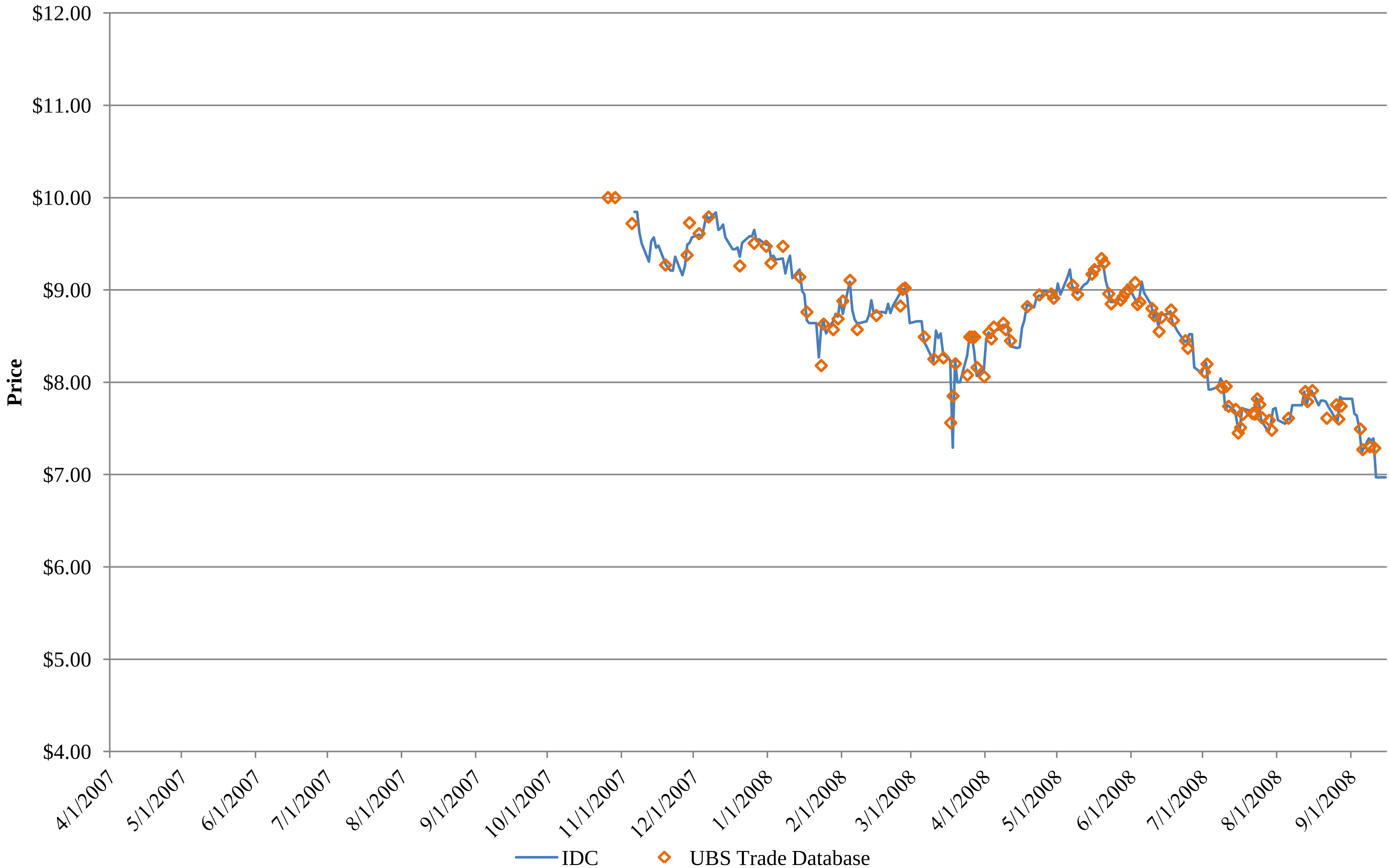
Performance Securities with Partial Protection Linked to a Global Index Basket
Due September 30, 2010; Face Value of $21,821,000; Settlement Date of September 28, 2007 (CUSIP 52522L244)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

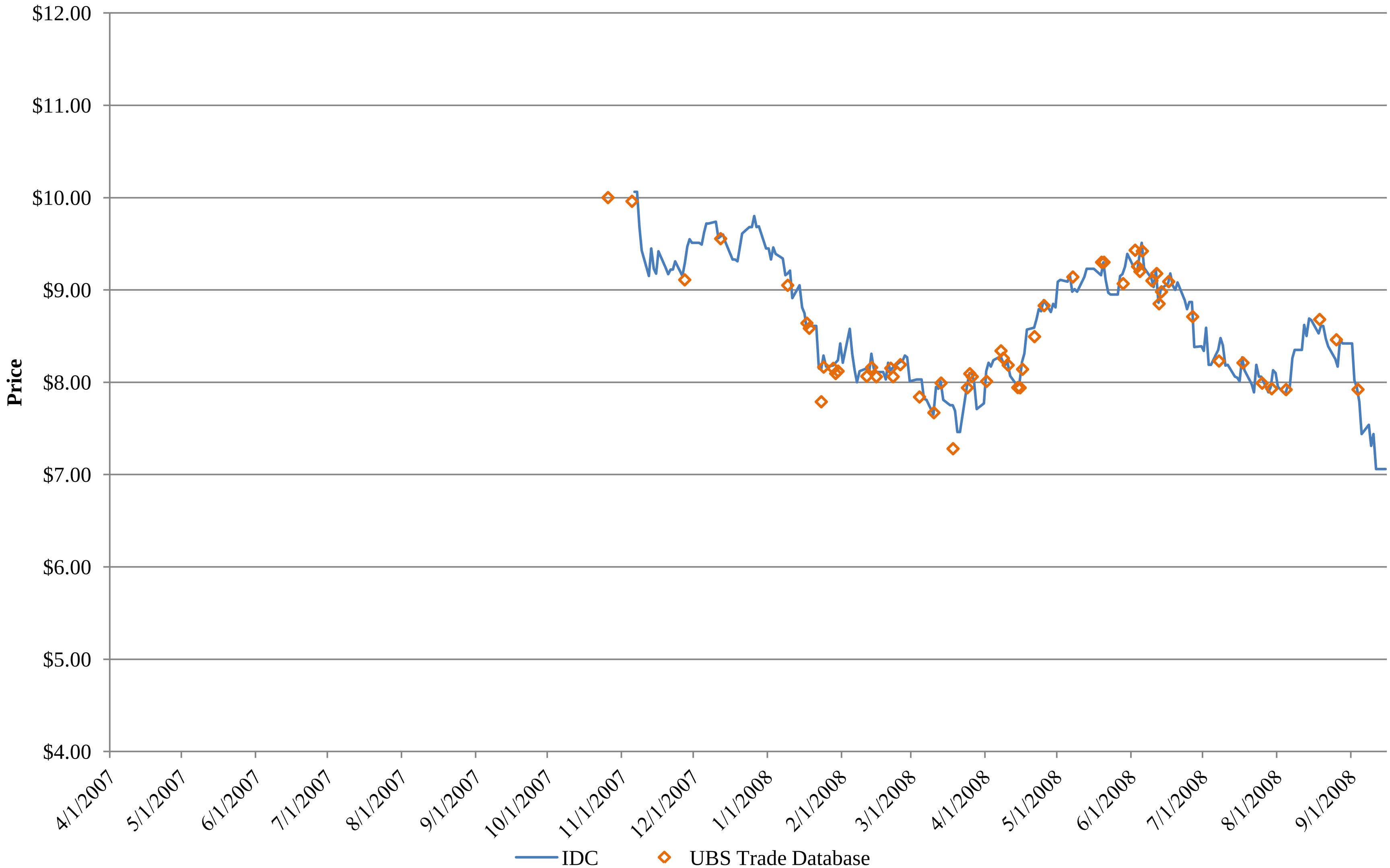
Appendix D

Return Optimization Securities Linked to the S&P 500 Index
Due April 30, 2009; Face Value of $52,814,490; Settlement Date of October 31, 2007 (CUSIP 52522L335)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

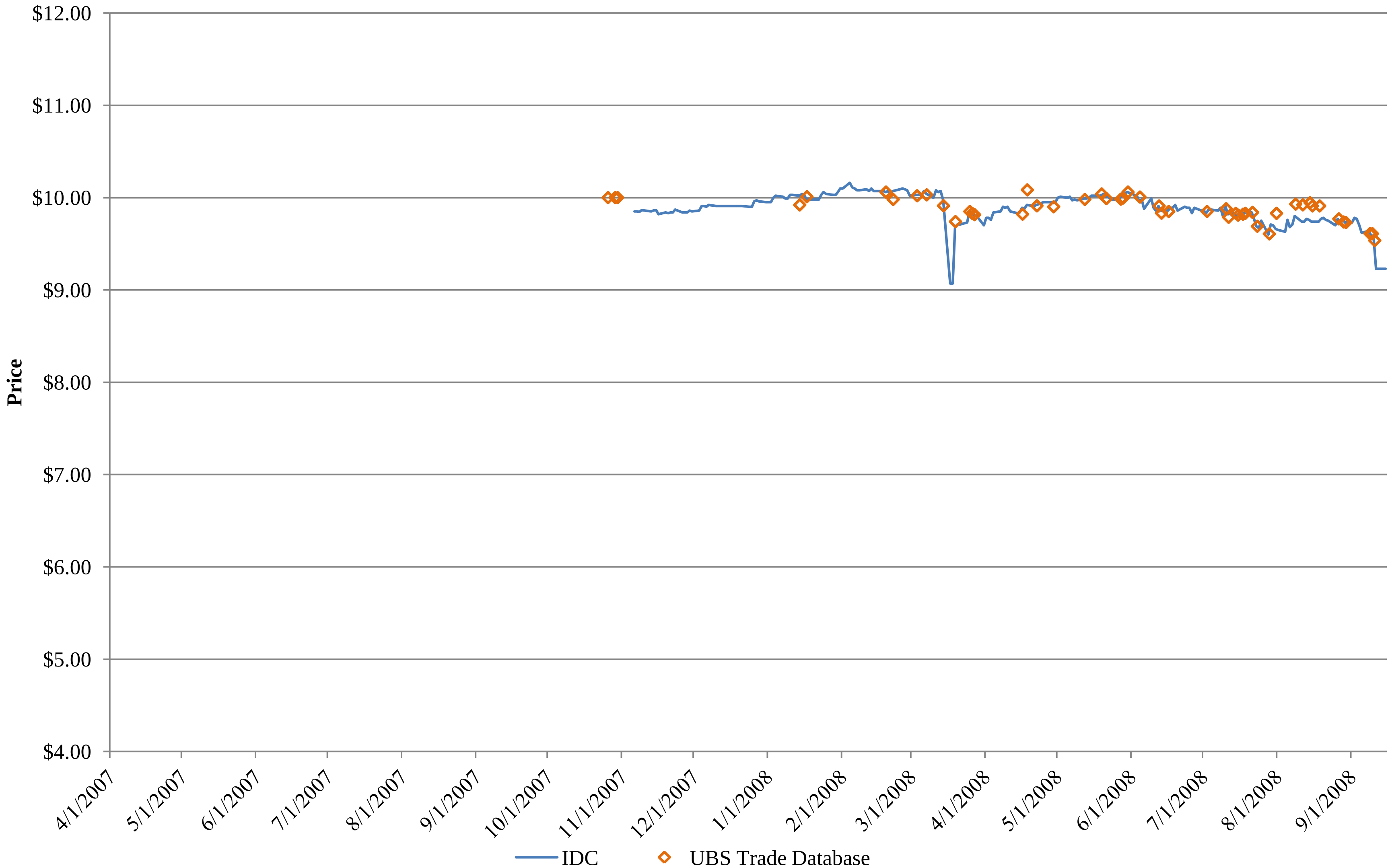
Return Optimization Securities Linked to the Nasdaq-100 Index
Due April 30, 2009; Face Value of $11,876,070; Settlement Date of October 31, 2007 (CUSIP 52522L319)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

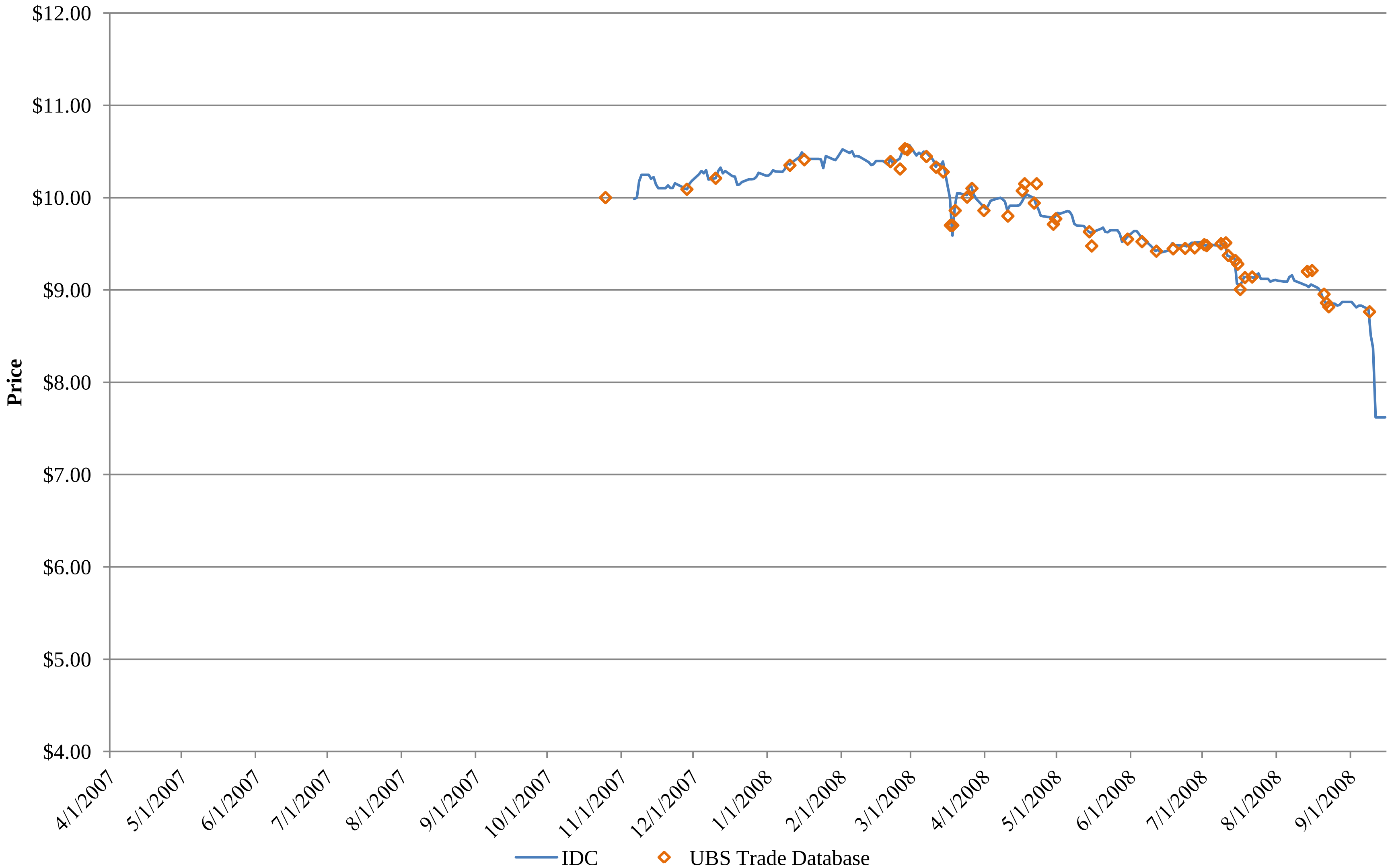
100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index
Due April 30, 2009; Face Value of $38,850,000; Settlement Date of October 31, 2007 (CUSIP 52522L293)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

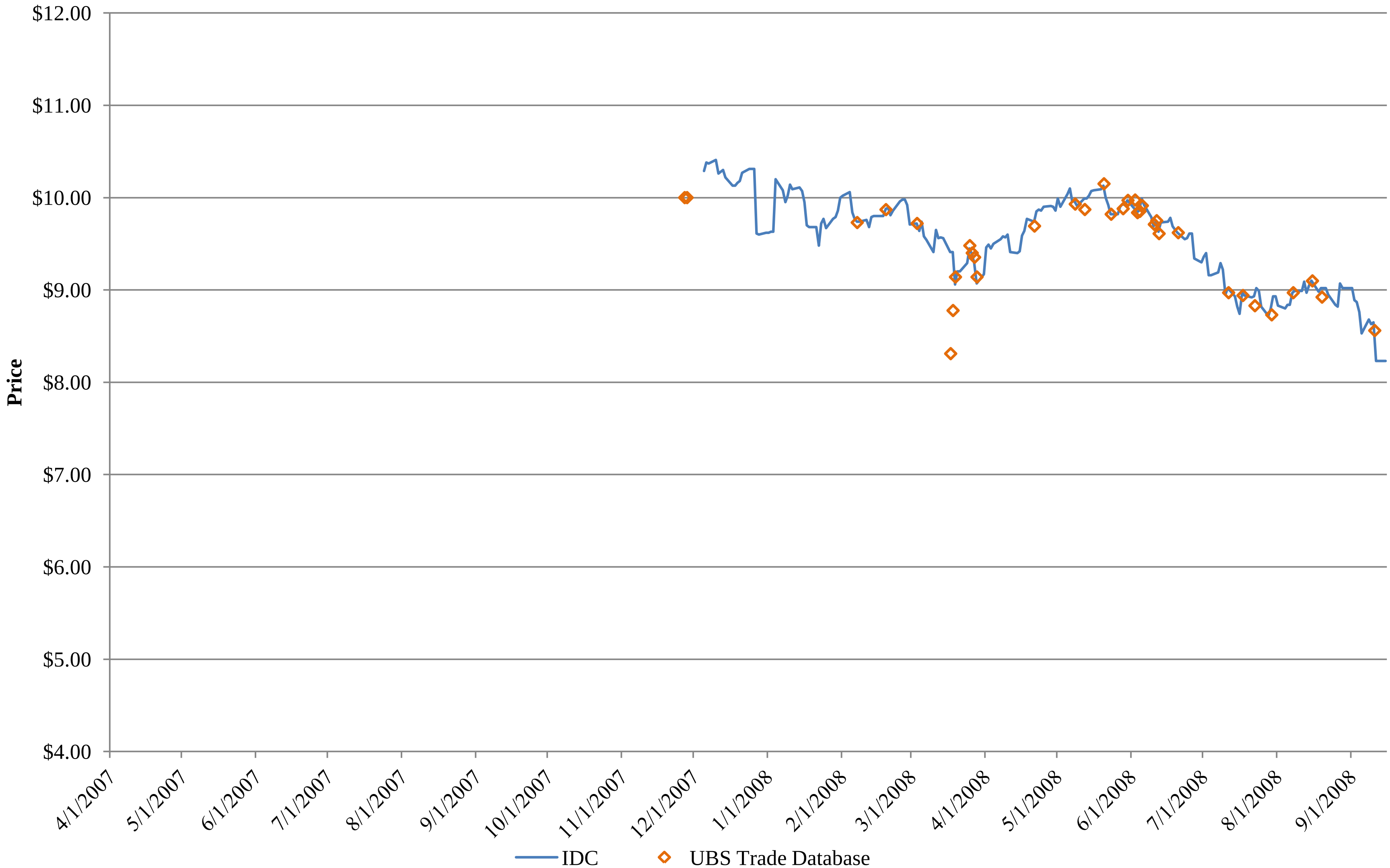
100% Principal Protection Notes Linked to an Asian Currency Basket
Due October 30, 2009; Face Value of $32,861,710; Settlement Date of October 31, 2007 (CUSIP 52520W341)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

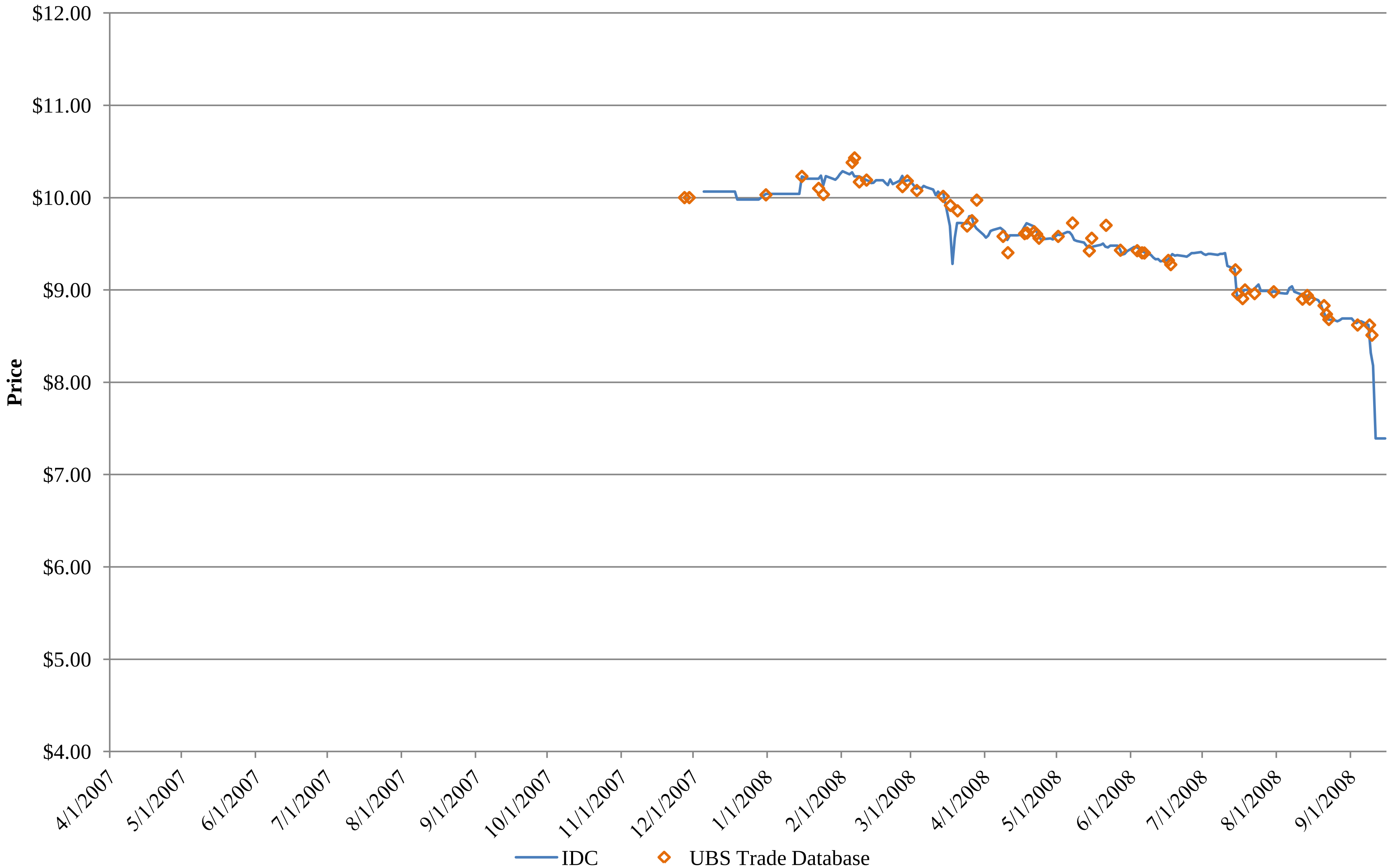
Return Optimization Securities with Partial Protection Linked to the S&P 500 Index
Due May 29, 2009; Face Value of $29,713,150; Settlement Date of November 30, 2007 (CUSIP 52522L459)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

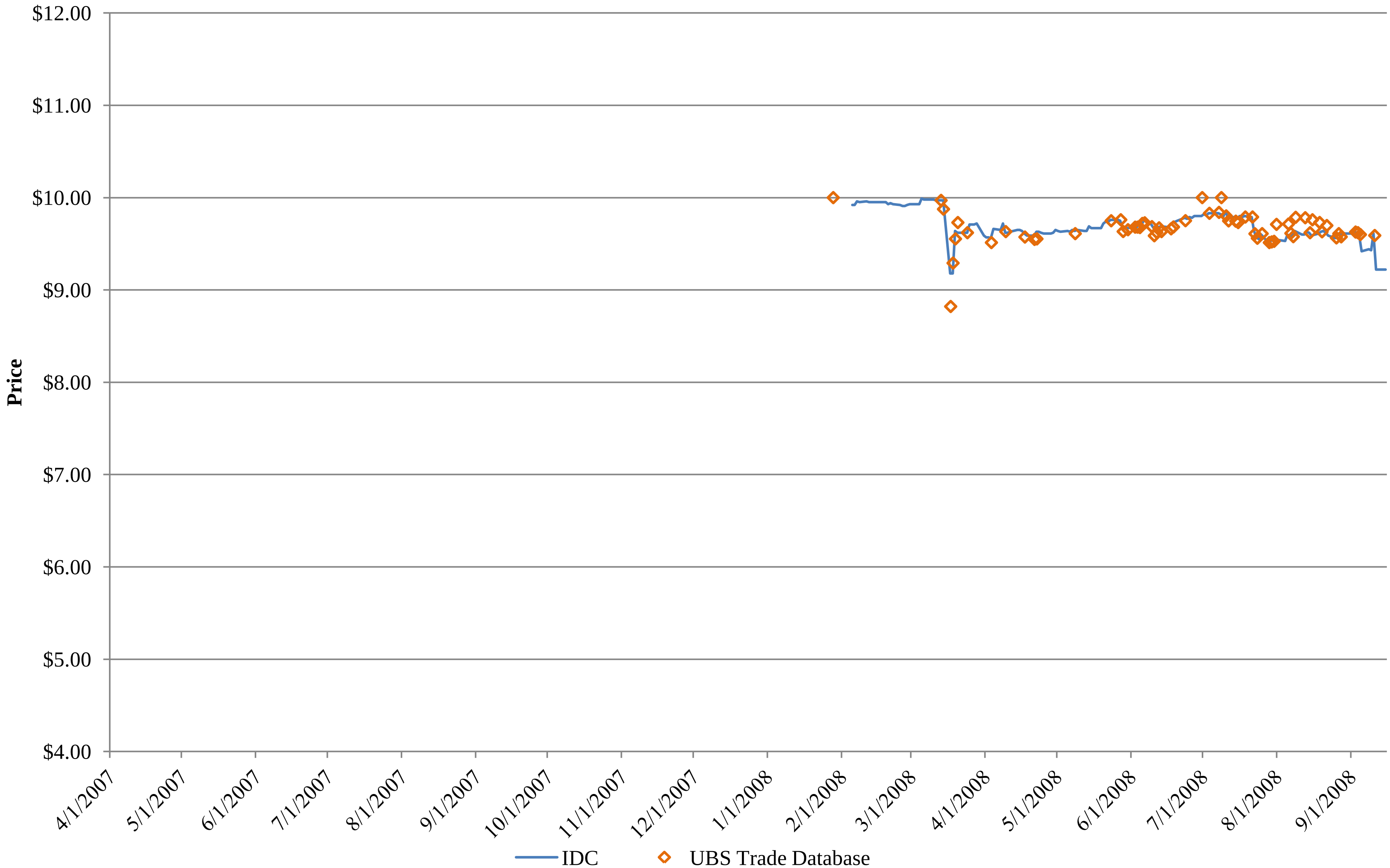
100% Principal Protection Notes Linked to an Asian Currency Basket
Due November 30, 2009; Face Value of $53,027,100; Settlement Date of November 30, 2007 (CUSIP 52520W333)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

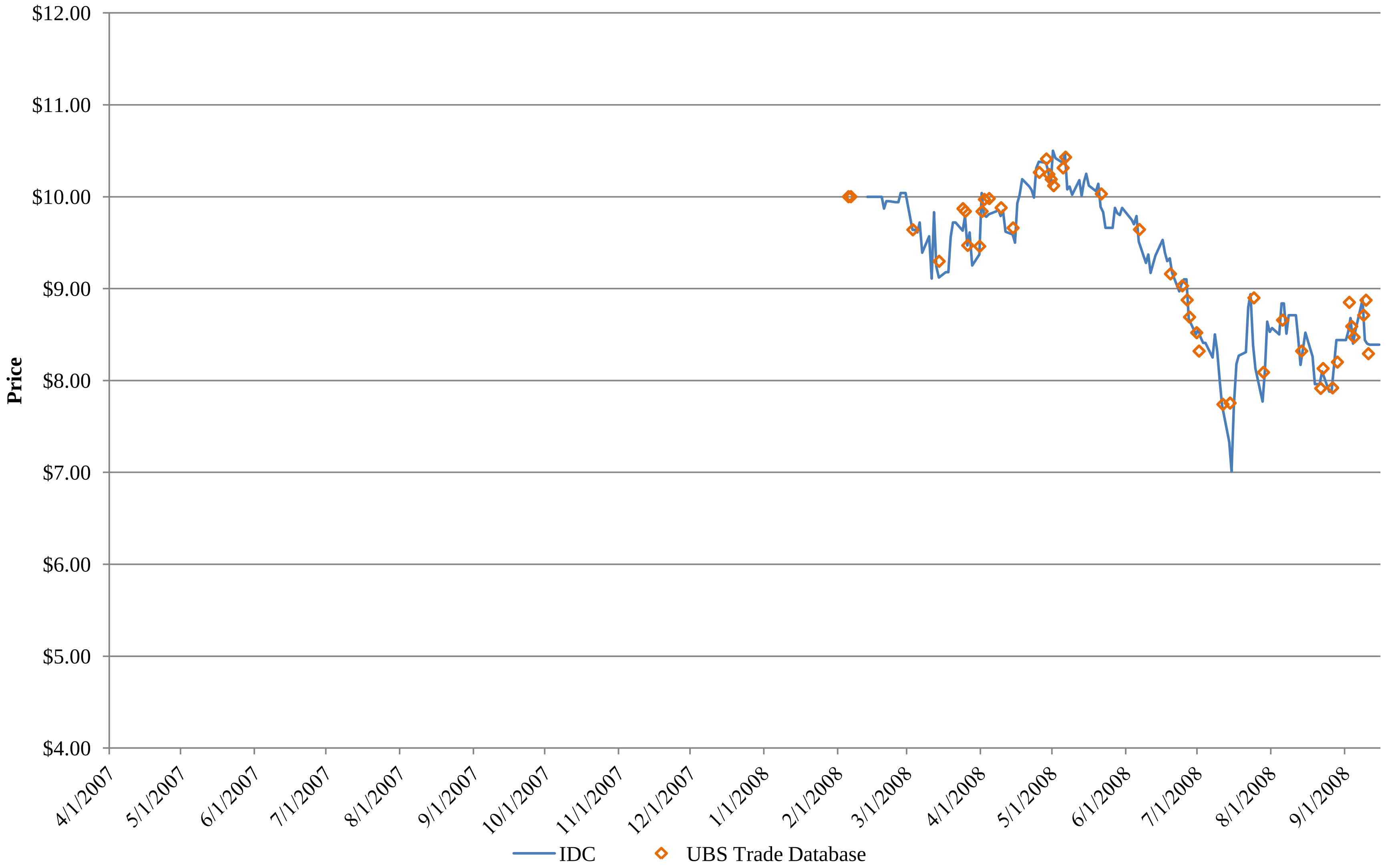
100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index
Due July 31, 2009; Face Value of $77,681,740; Settlement Date of January 31, 2008 (CUSIP 52522L525)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

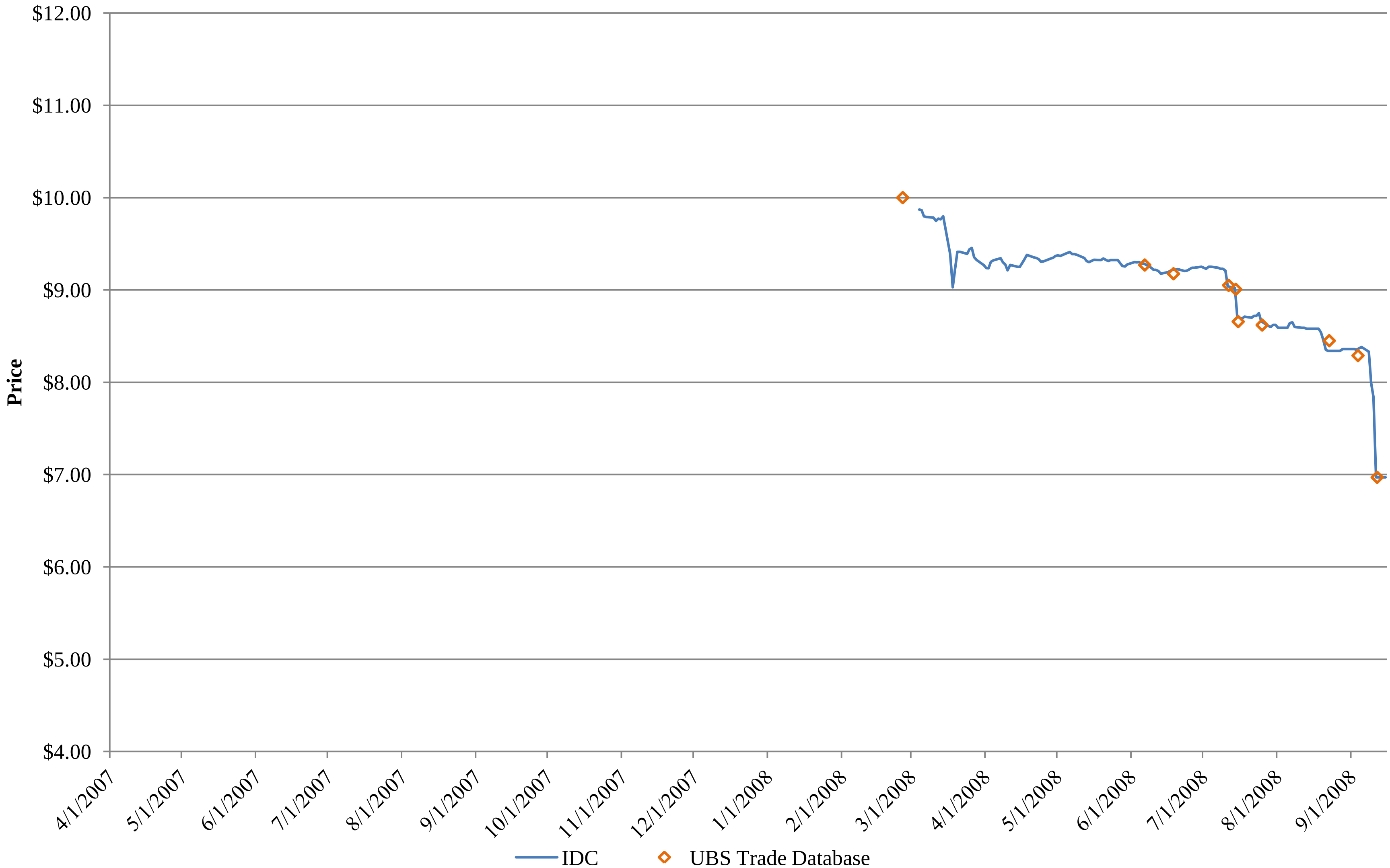
Autocallable Optimization Securities with Contingent Protection Linked to the S&P 500 Financials Index Due August 10, 2009; Face Value of $48,310,620; Settlement Date of February 8, 2008 (CUSIP 52522L657)



<u>Notes:</u> (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
<u>Sources:</u> UBS Trade Database ('101264659_1.xls'); IDC.

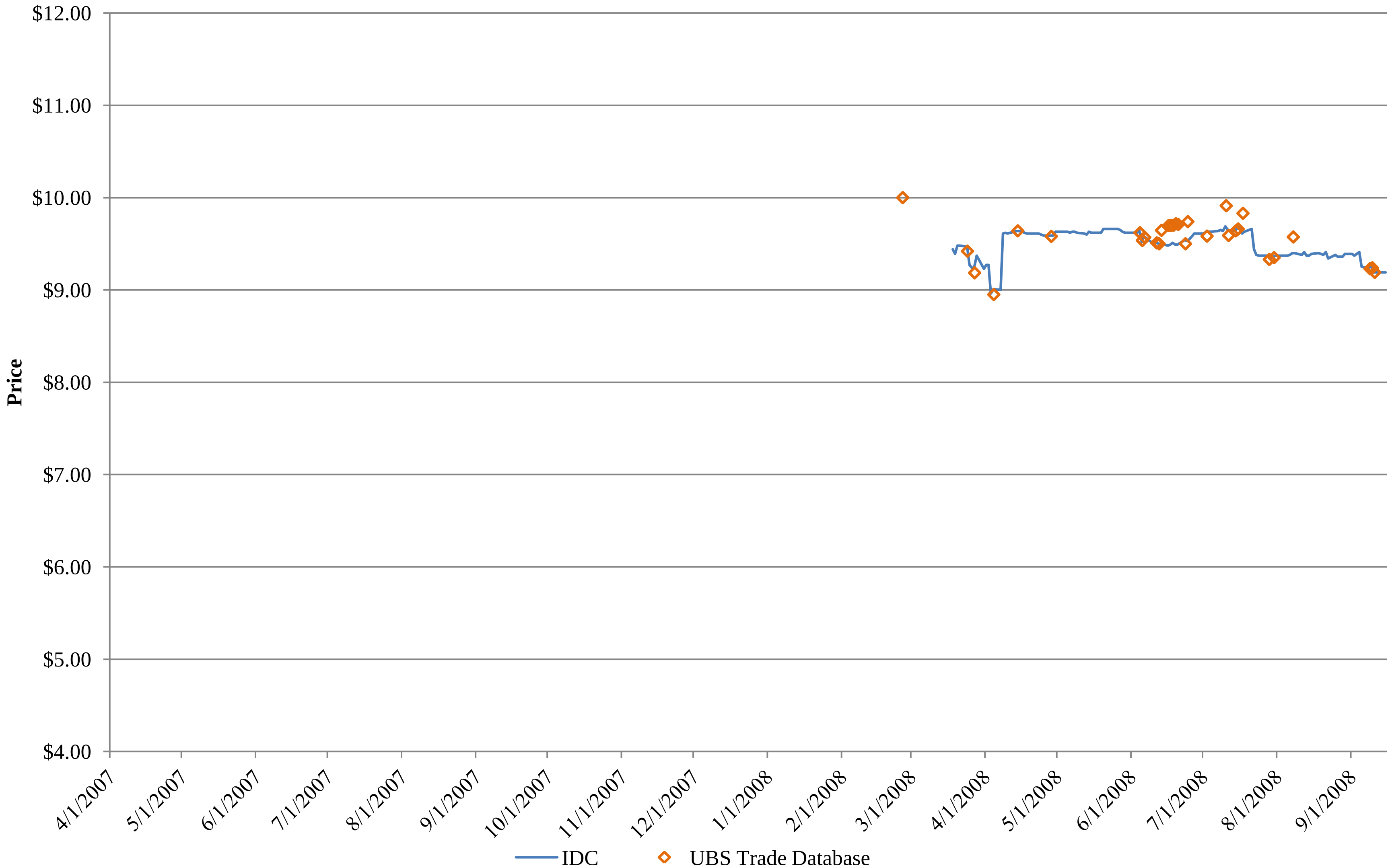
Appendix D

100% Principal Protection Notes Linked to an Asian Currency Basket
Due February 26, 2010; Face Value of $13,692,000; Settlement Date of February 29, 2008 (CUSIP 52523J412)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

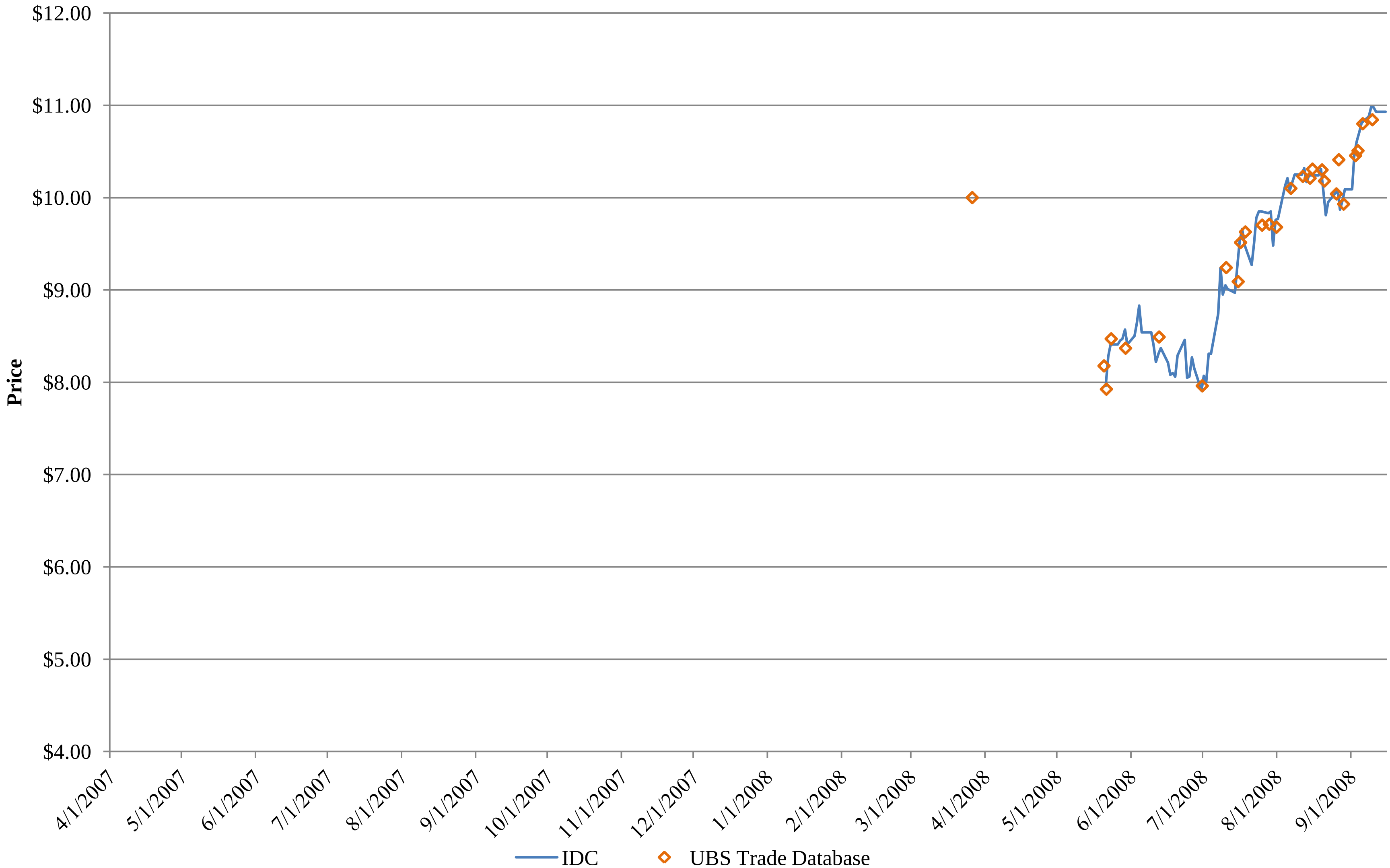
100% Principal Protection Absolute Return Barrier Notes Linked to the Russell 2000 Index
Due August 31, 2009; Face Value of $25,495,180; Settlement Date of February 29, 2008 (CUSIP 52522L566)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

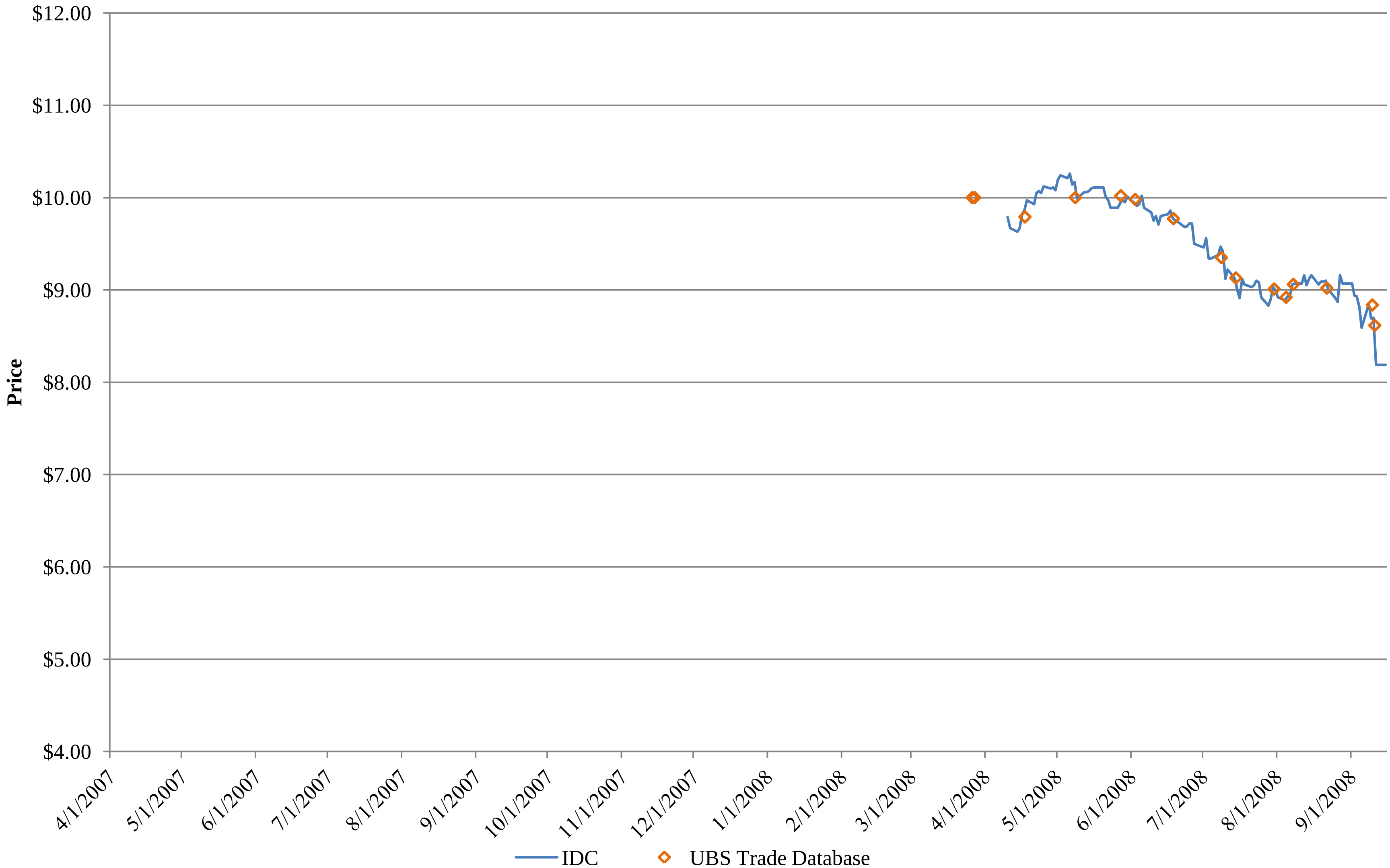
Appendix D

Bearish Autocallable Optimization Securities with Contingent Protection Linked to the Energy Select Sector SPDR Due September 30, 2009; Face Value of $7,556,450; Settlement Date of March 31, 2008 (CUSIP 52522L871)



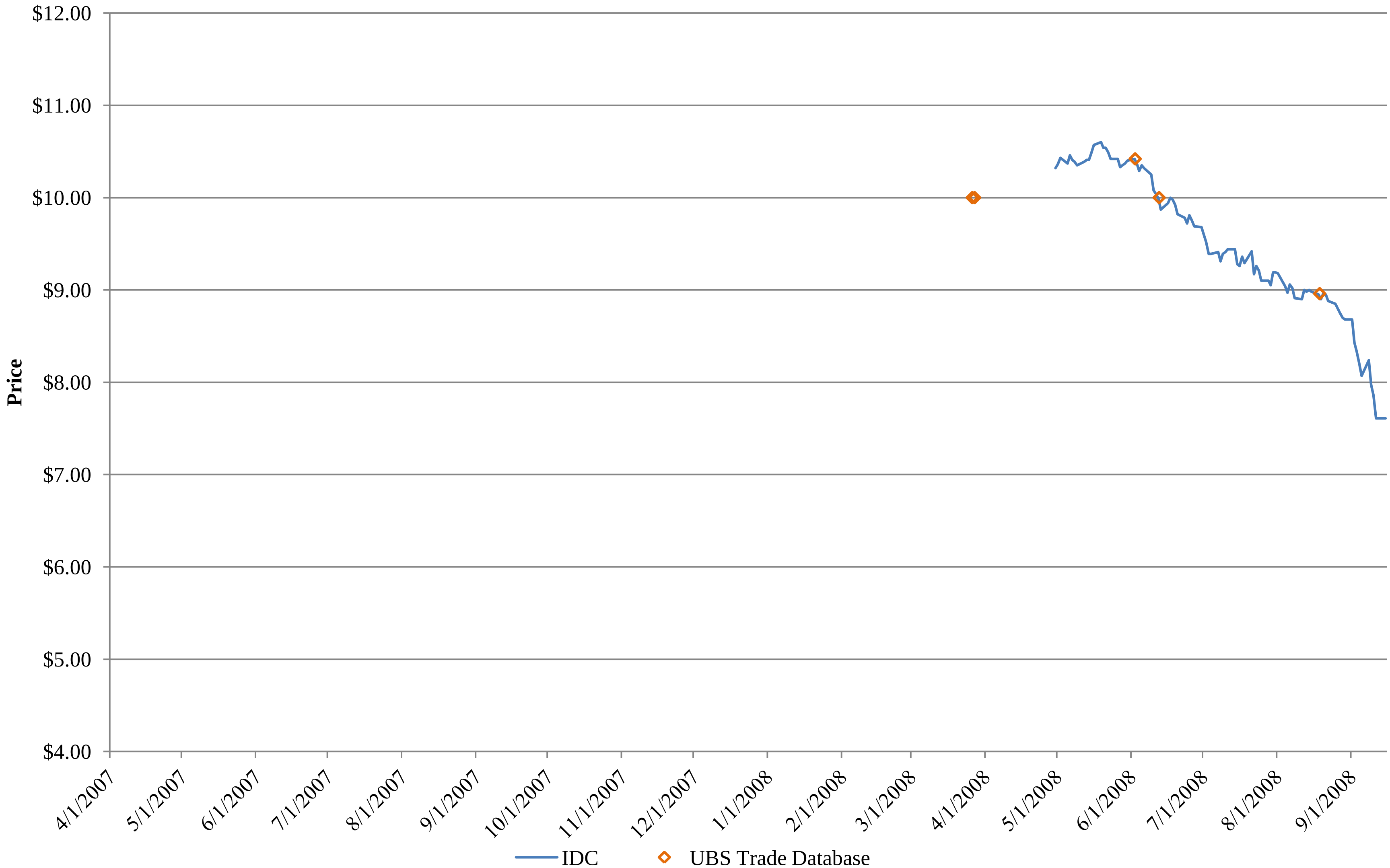
Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Return Optimization Securities with Partial Protection Linked to the S&P 500 Index
Due September 30, 2009; Face Value of $29,567,250; Settlement Date of March 31, 2008 (CUSIP 52522L806)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

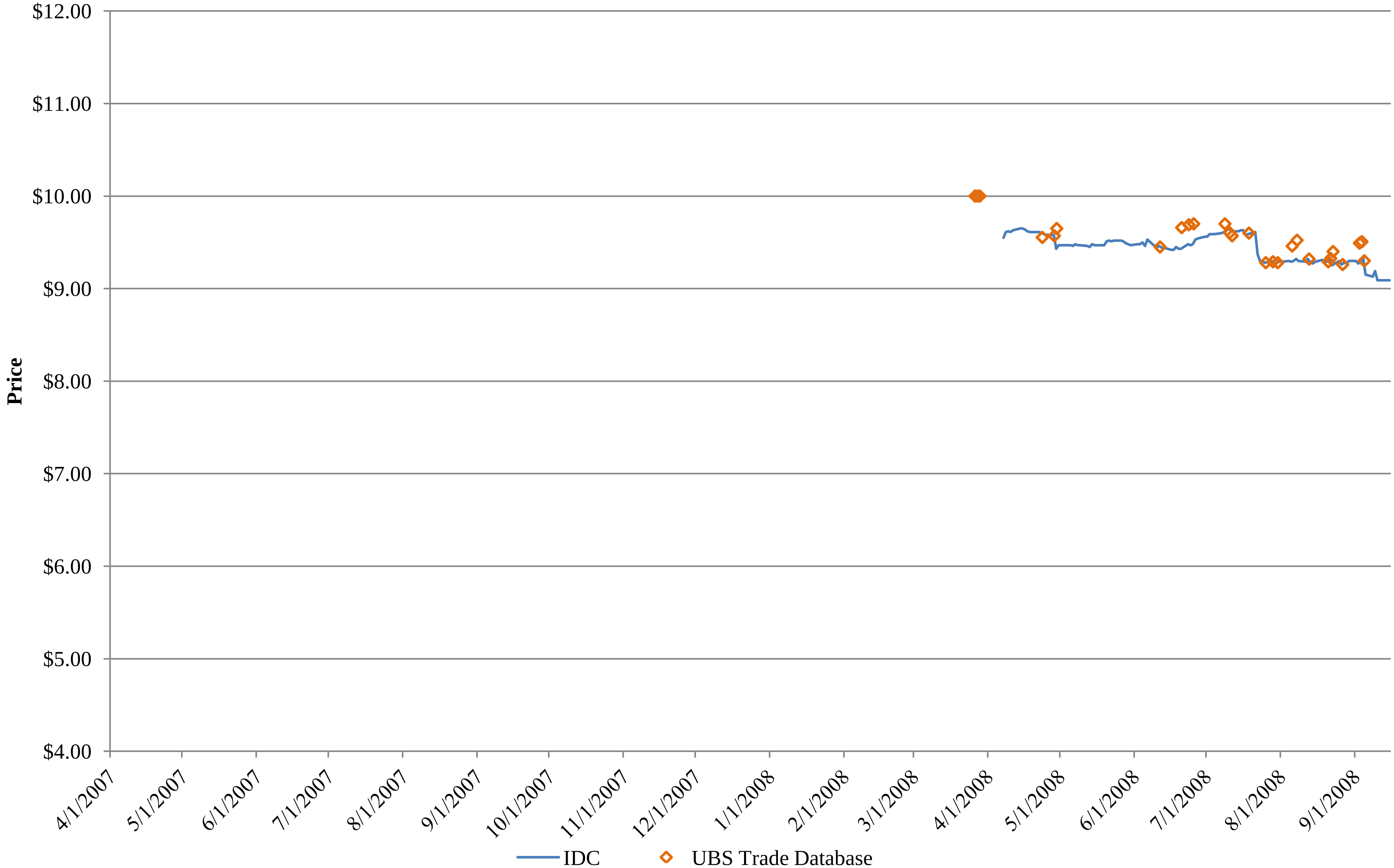
Return Optimization Securities with Partial Protection Linked to the MSCI EM Index
Due September 30, 2009; Face Value of $4,314,700; Settlement Date of March 31, 2008 (CUSIP 52522L814)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

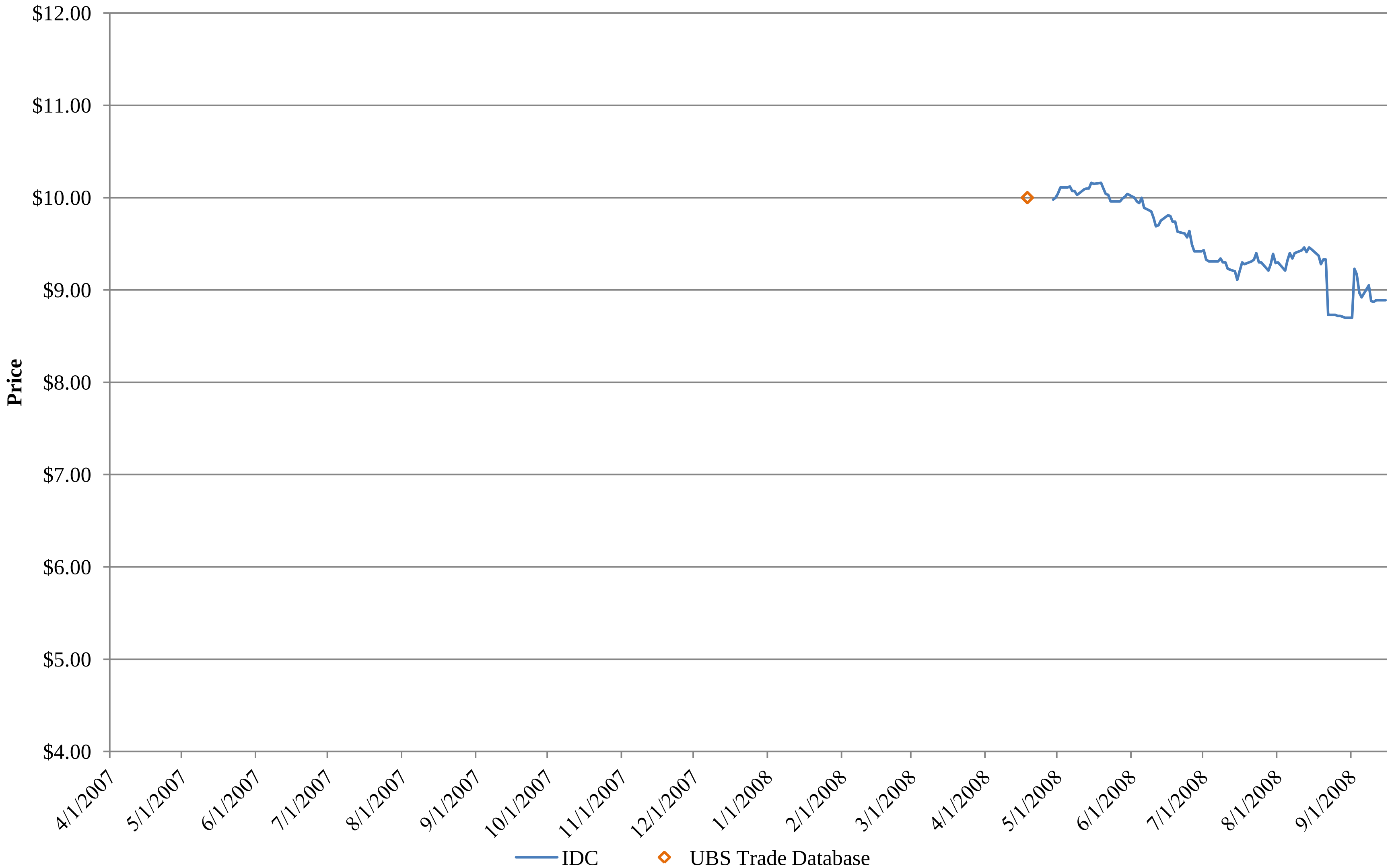
100% Principal Protection Absolute Return Barrier Notes Linked to the Russell 2000 Index
Due September 30, 2009; Face Value of $13,688,610; Settlement Date of March 31, 2008 (CUSIP 52522L798)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

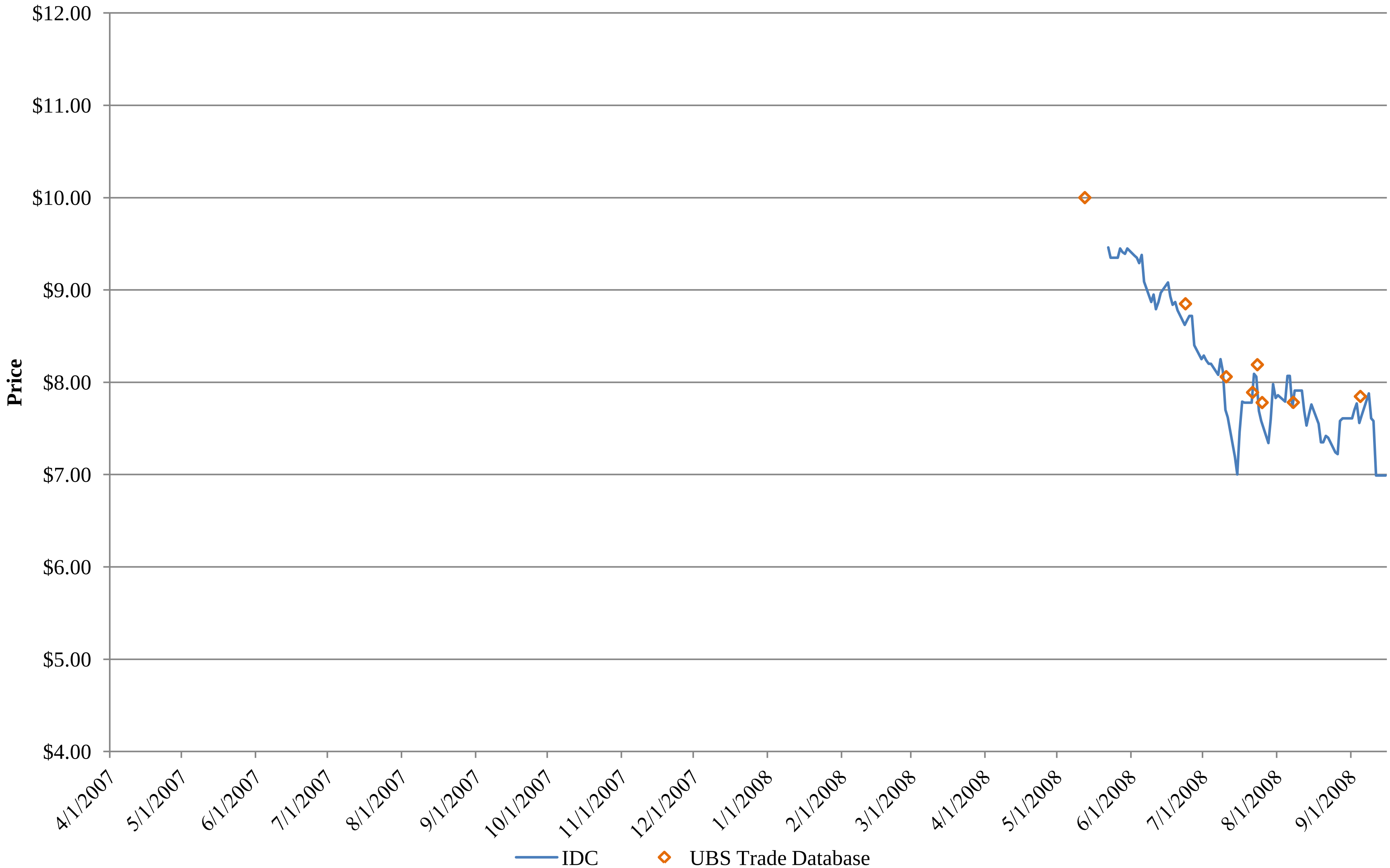
**Return Optimization Securities with Partial Protection Linked to a Basket of Global Indices
Due May 21, 2009; Face Value of $12,680,000; Settlement Date of April 23, 2008 (CUSIP 52523J172)**



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

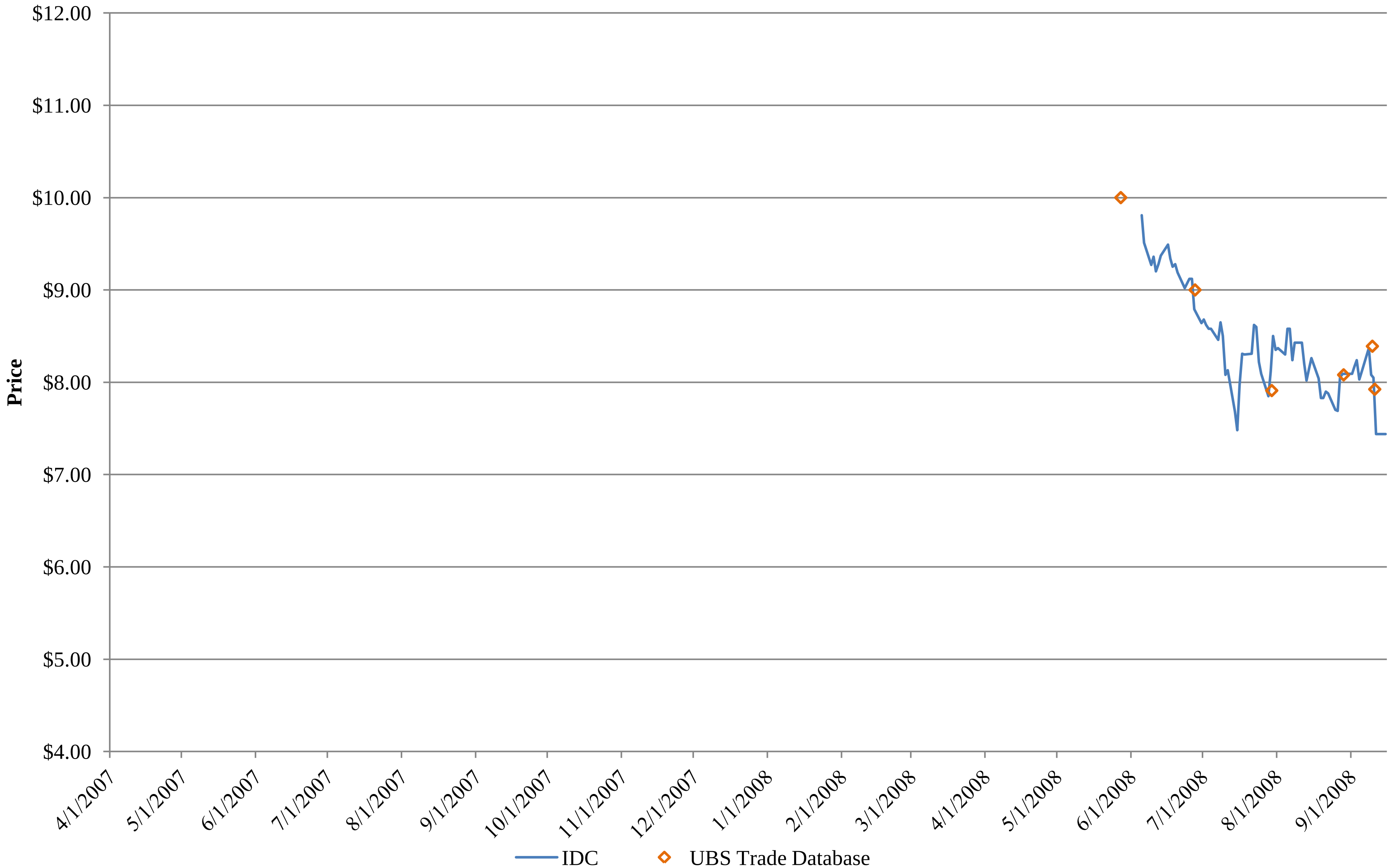
Return Optimization Securities with Partial Protection Linked to the S&P 500 Financials Index
Due May 17, 2010; Face Value of $25,009,640; Settlement Date of May 15, 2008 (CUSIP 52523J206)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

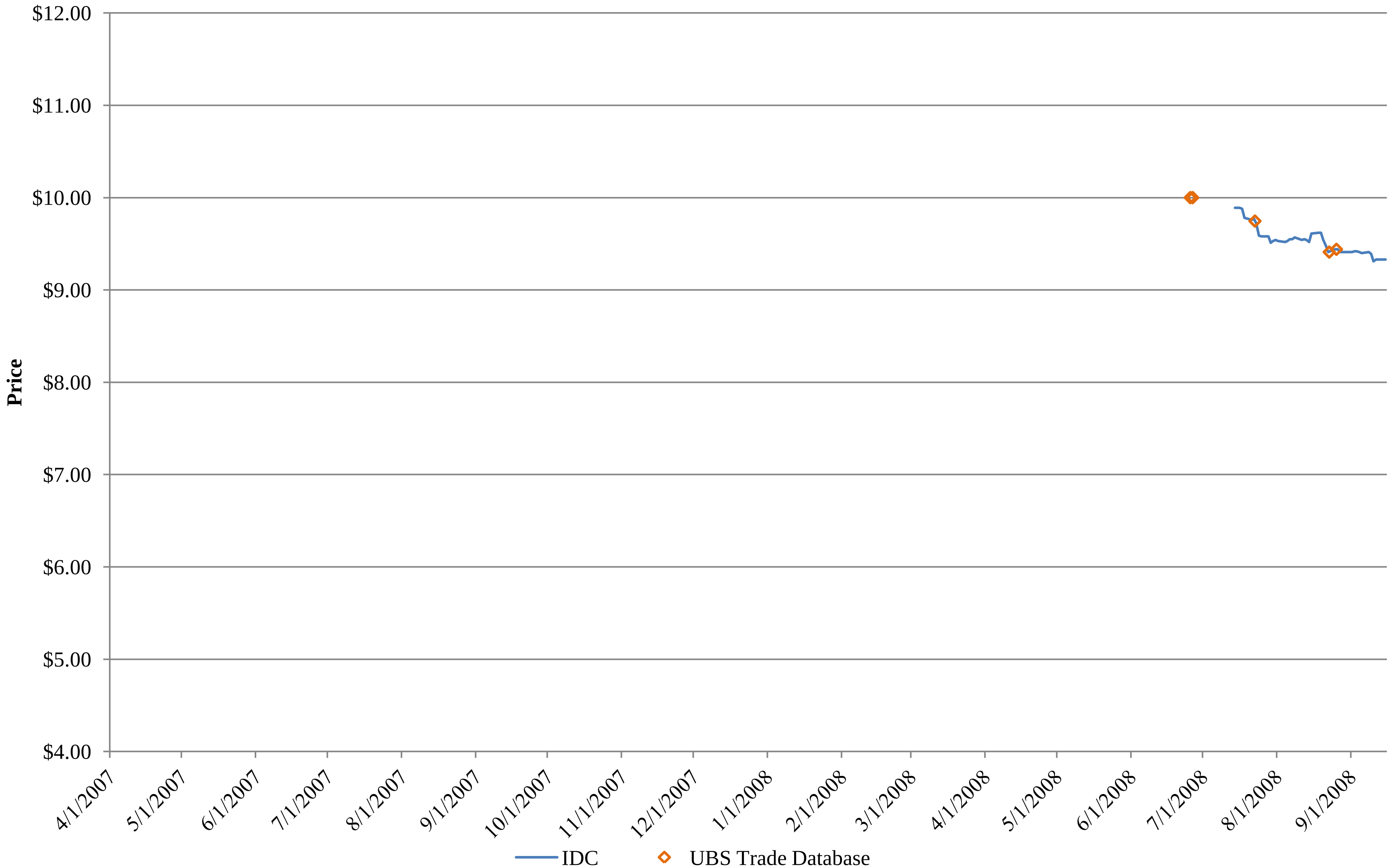
Return Optimization Securities with Partial Protection Linked to the S&P 500 Financials Index
Due May 28, 2010; Face Value of $17,018,280; Settlement Date of May 30, 2008 (CUSIP 52523J230)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix D

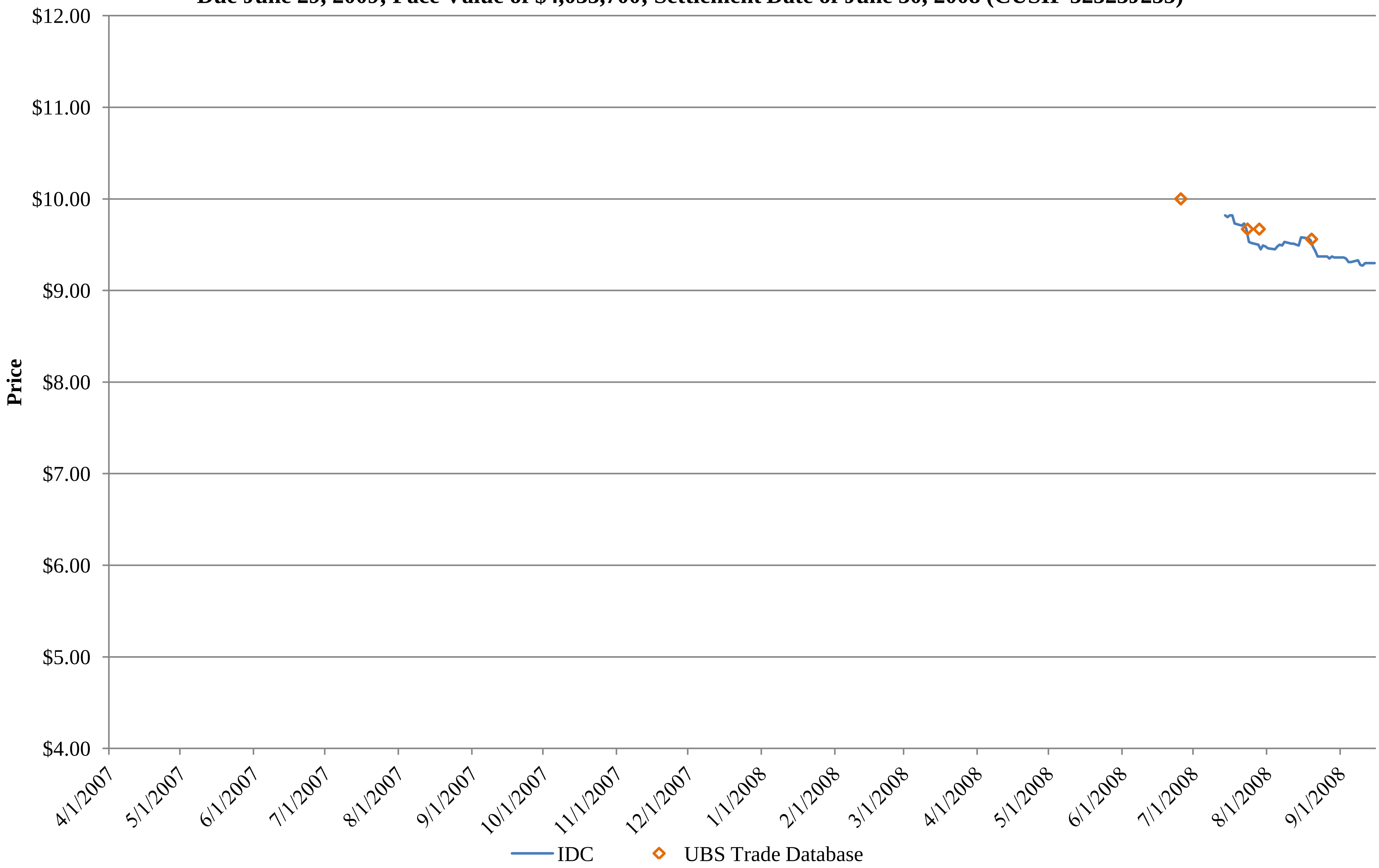
100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index
Due June 29, 2009; Face Value of $12,167,700; Settlement Date of June 30, 2008 (CUSIP 52523J248)



Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

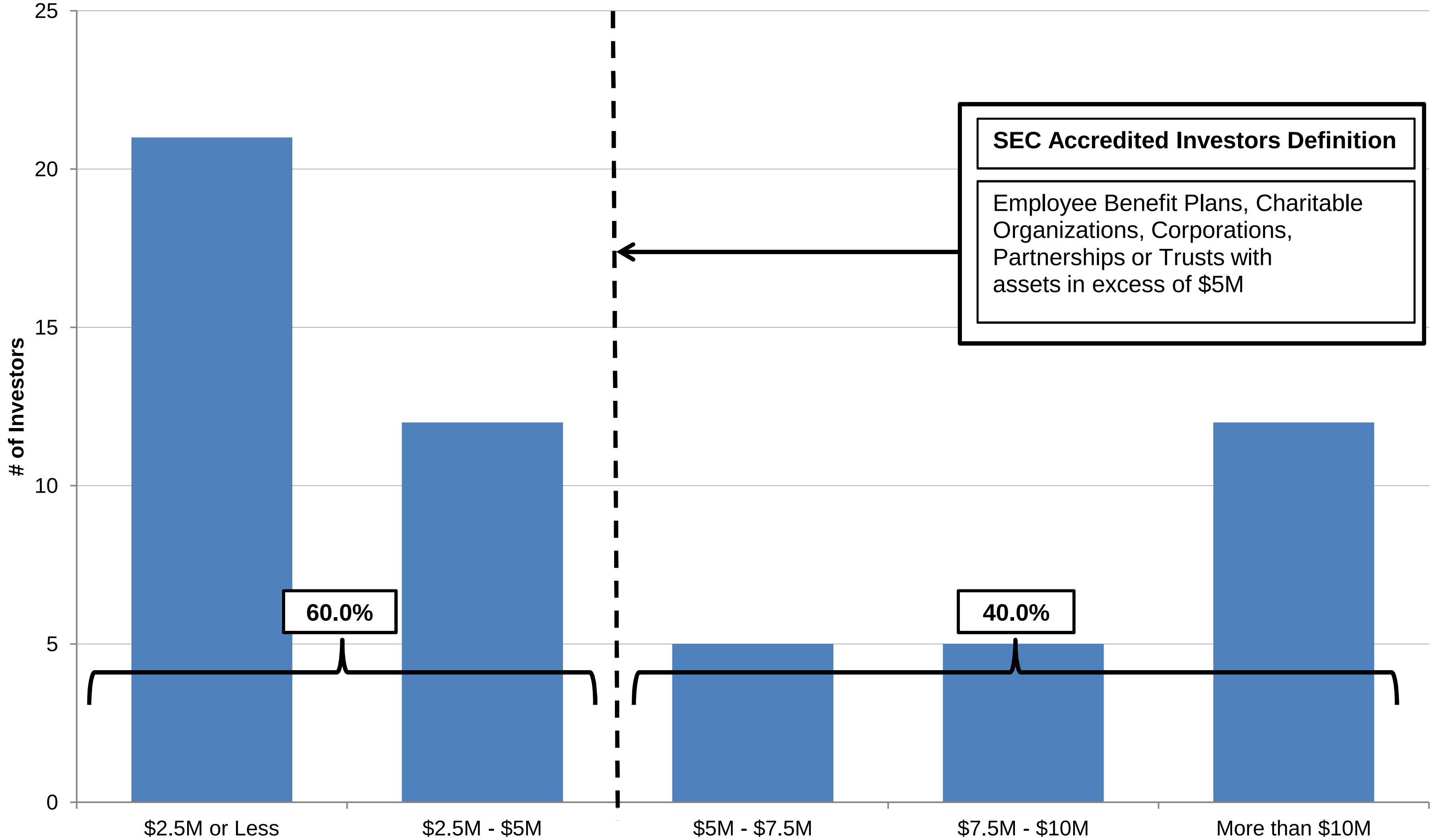
Appendix D

100% Principal Protection Absolute Return Barrier Notes Linked to the S&P 500 Index (Asymmetric Barriers)
Due June 29, 2009; Face Value of $4,035,700; Settlement Date of June 30, 2008 (CUSIP 52523J255)



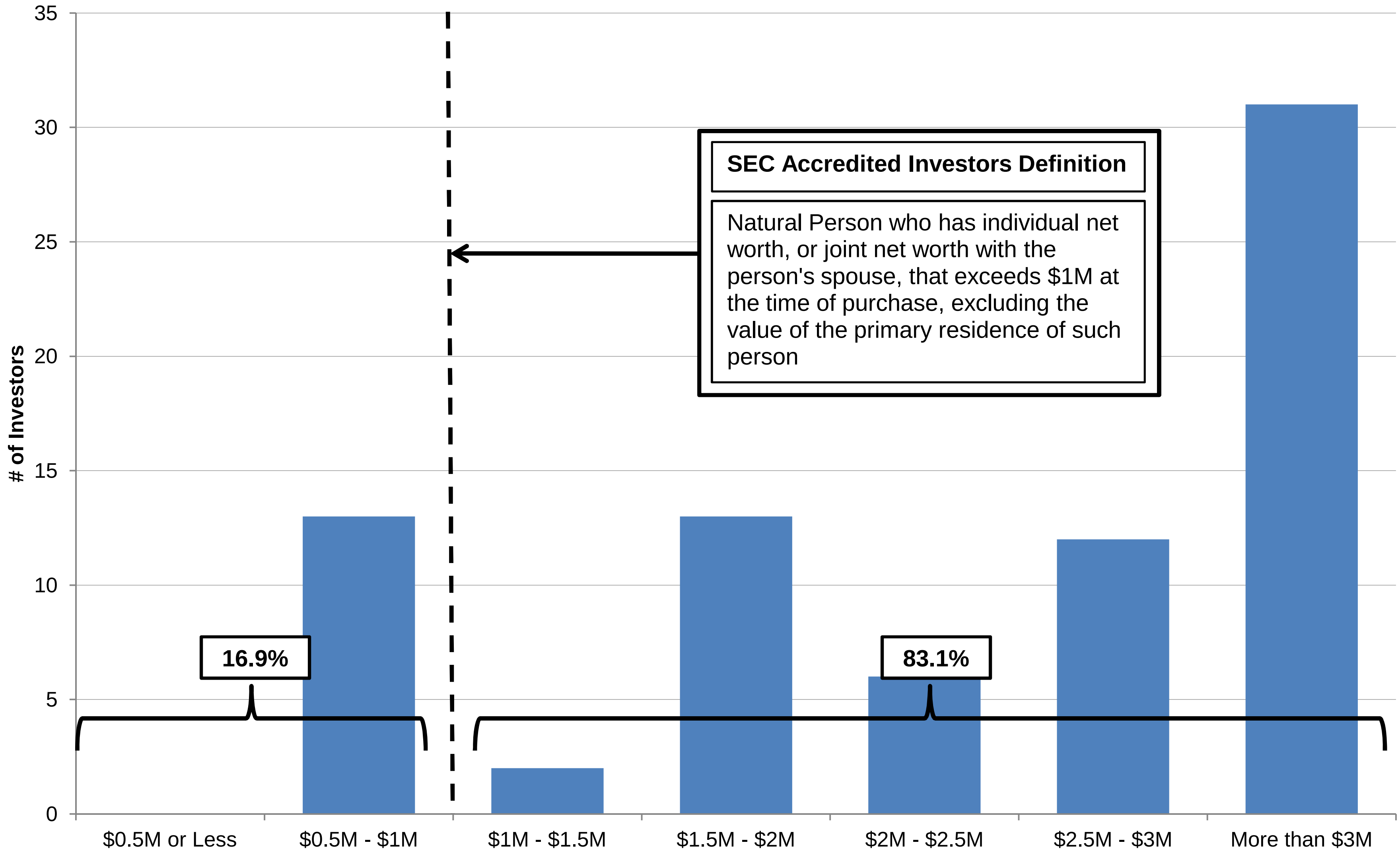
Notes: (1) IDC prices are as reported by IDC. (2) UBS Trade Database is the volume weighted average prices from the UBS Trade Database transactions. The first UBS Trade Database data point represents the initial offering.
Sources: UBS Trade Database ('101264659_1.xls'); IDC.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52517P2P5, n= 55



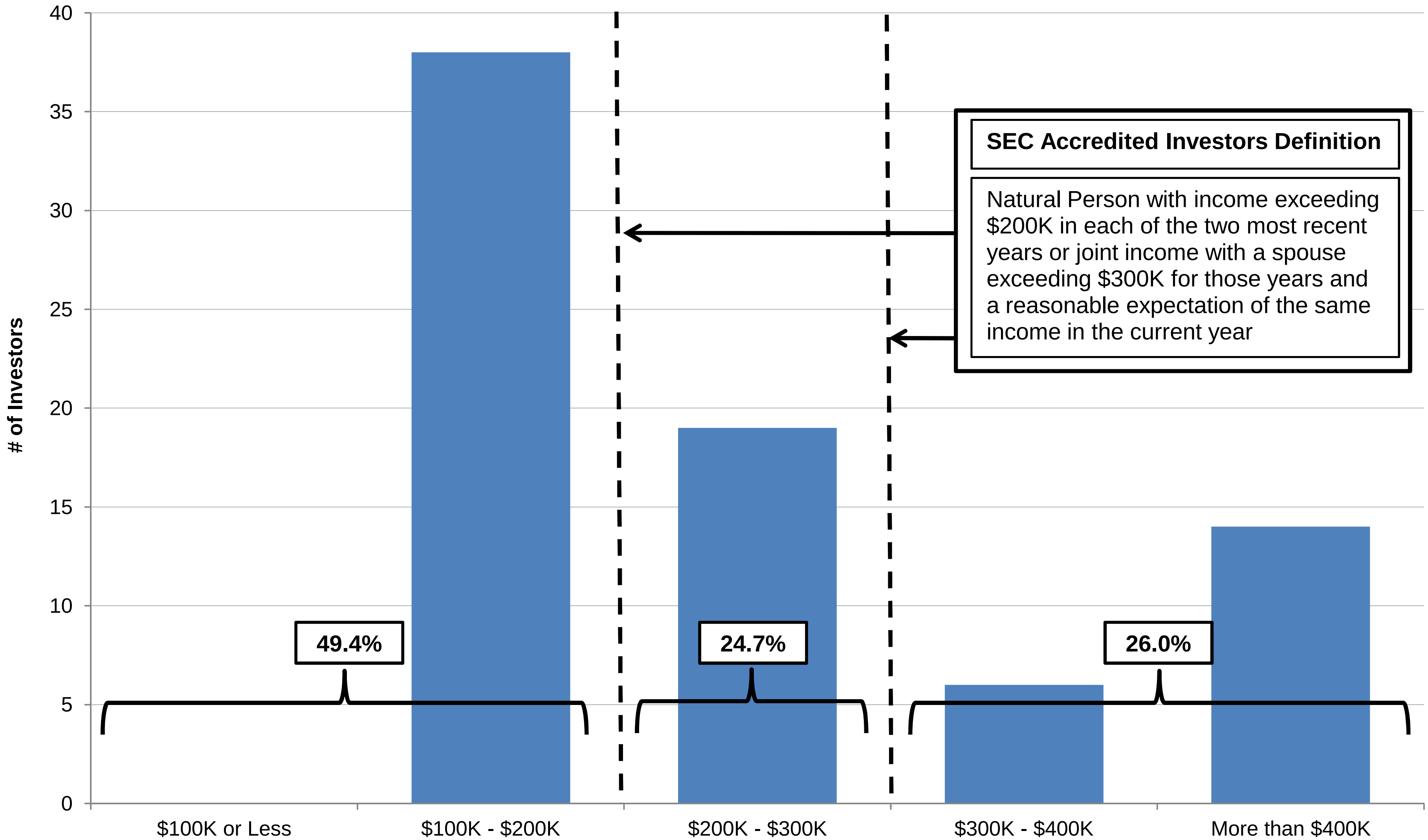
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52517P2P5, n= 77



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52517P2P5, n= 77

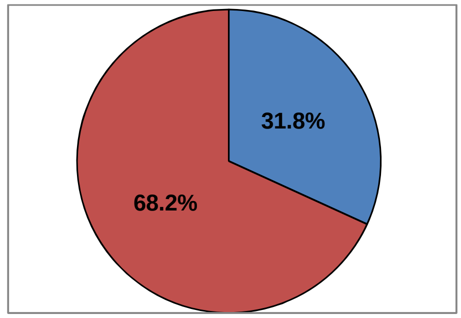


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

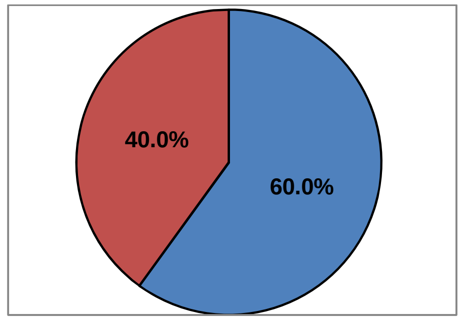
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52517P2P5

Accredited Unaccredited

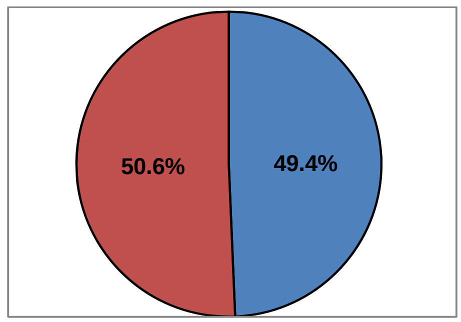
All Investors, n= 132



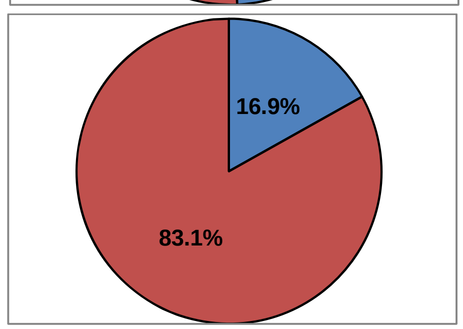
Non-Person Investors, n= 55



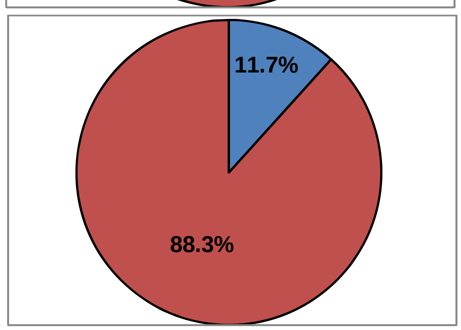
Person Investors Based on Income, n= 77



Person Investors Based on Net Worth, n= 77

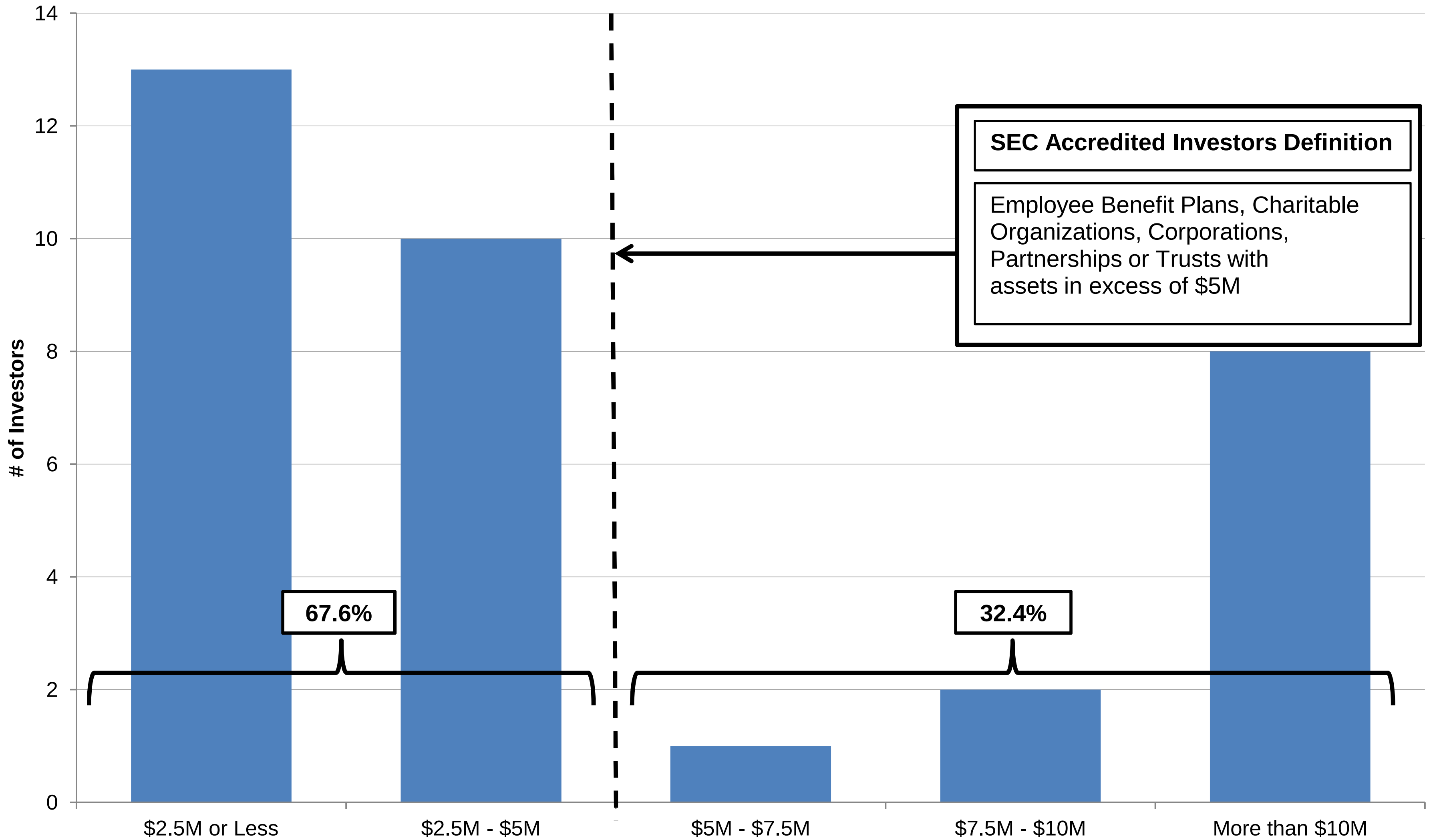


Person Investors Based on Income and Net Worth, n= 77



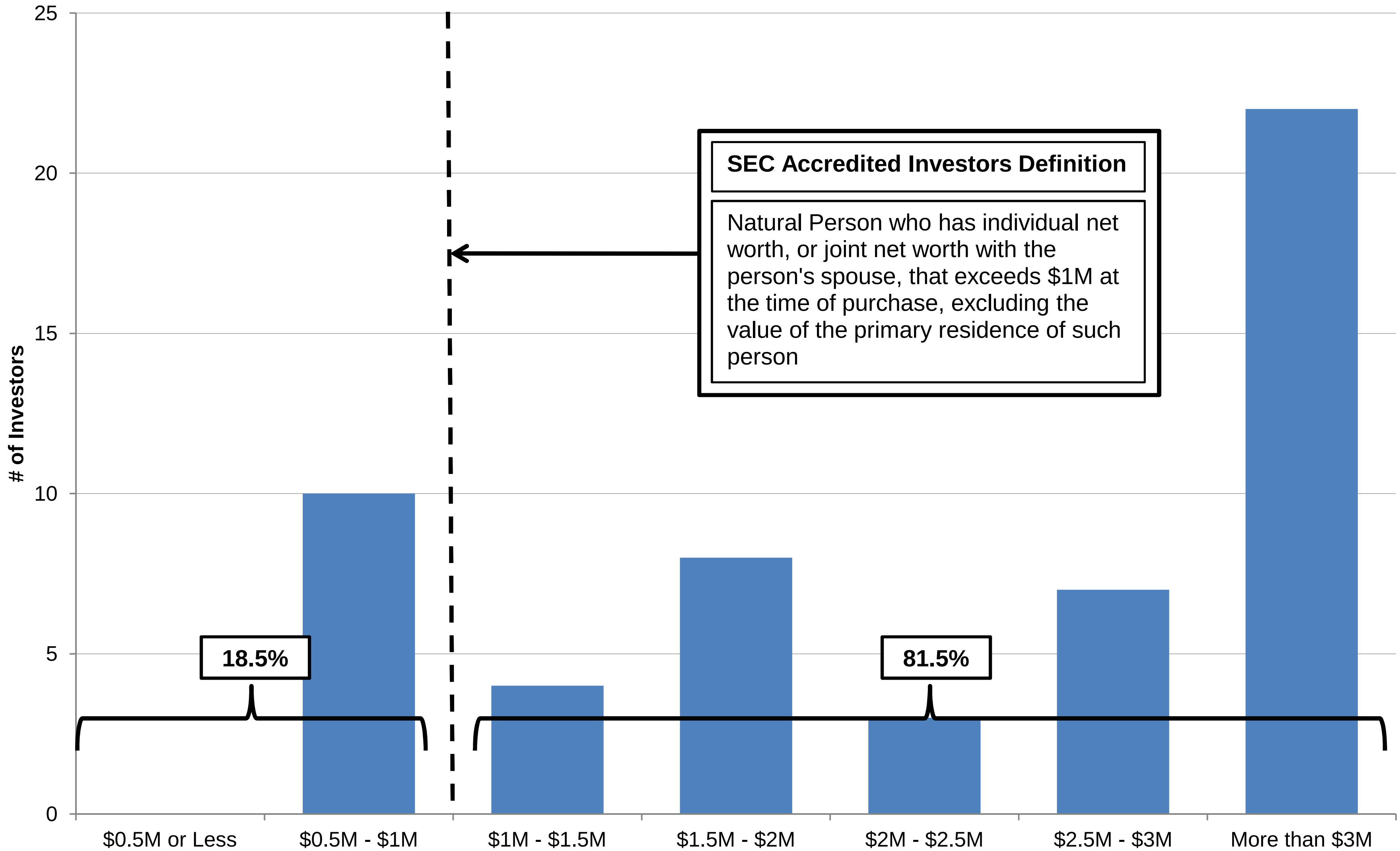
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52517P3H2, n= 34



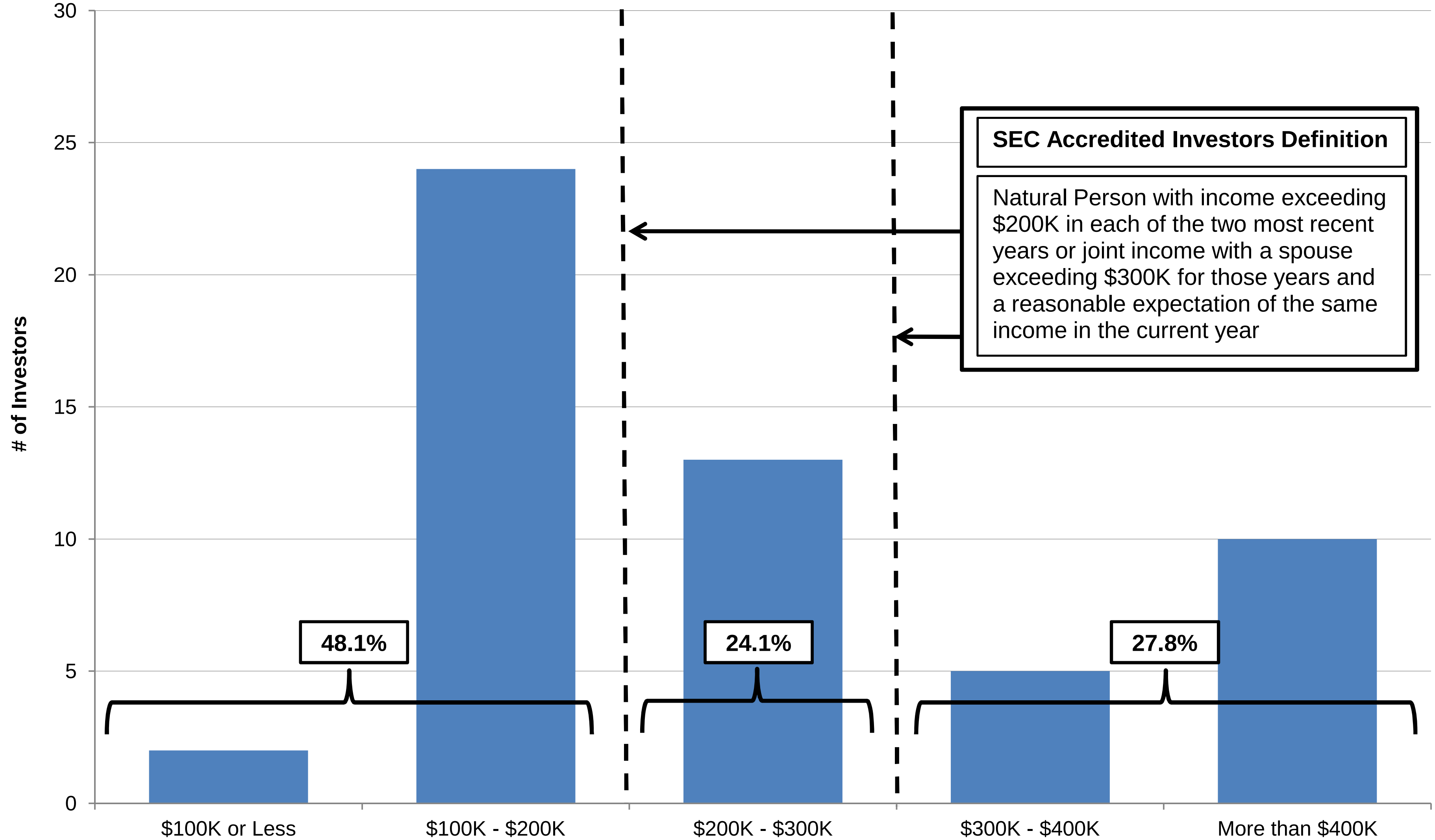
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52517P3H2, n= 54



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52517P3H2, n= 54

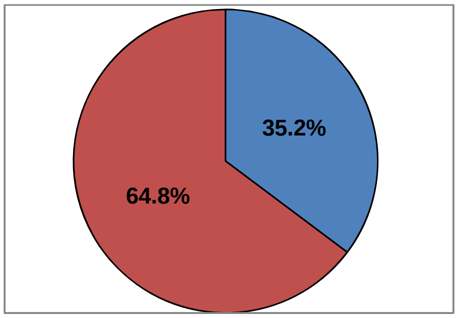


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

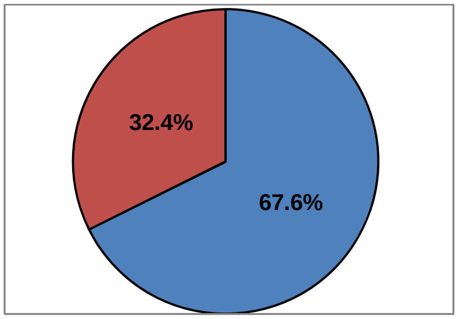
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52517P3H2

Accredited   Unaccredited

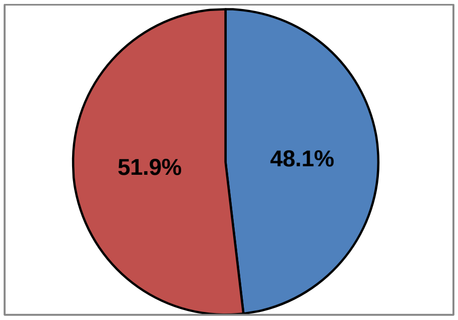
All Investors, n= 88



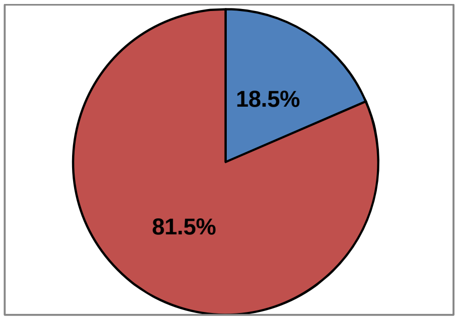
Non-Person Investors, n= 34



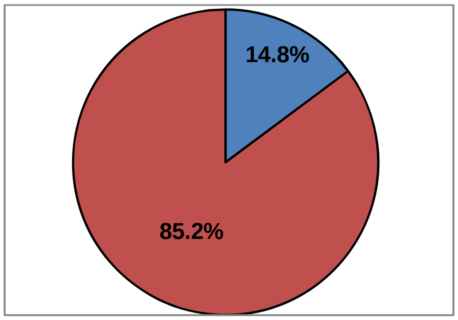
Person Investors Based on Income, n= 54



Person Investors Based on Net Worth, n= 54

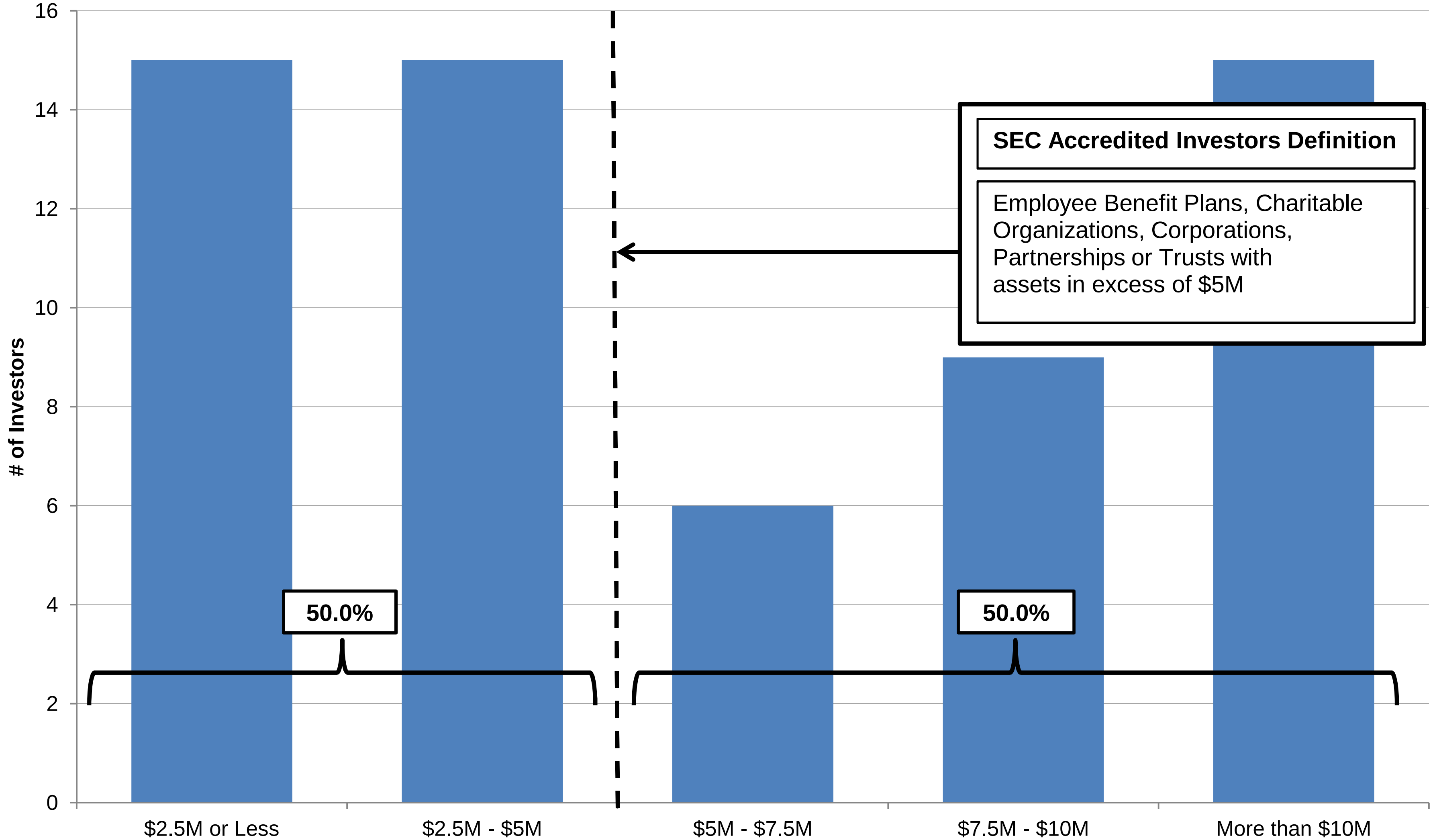


Person Investors Based on Income and Net Worth, n= 54



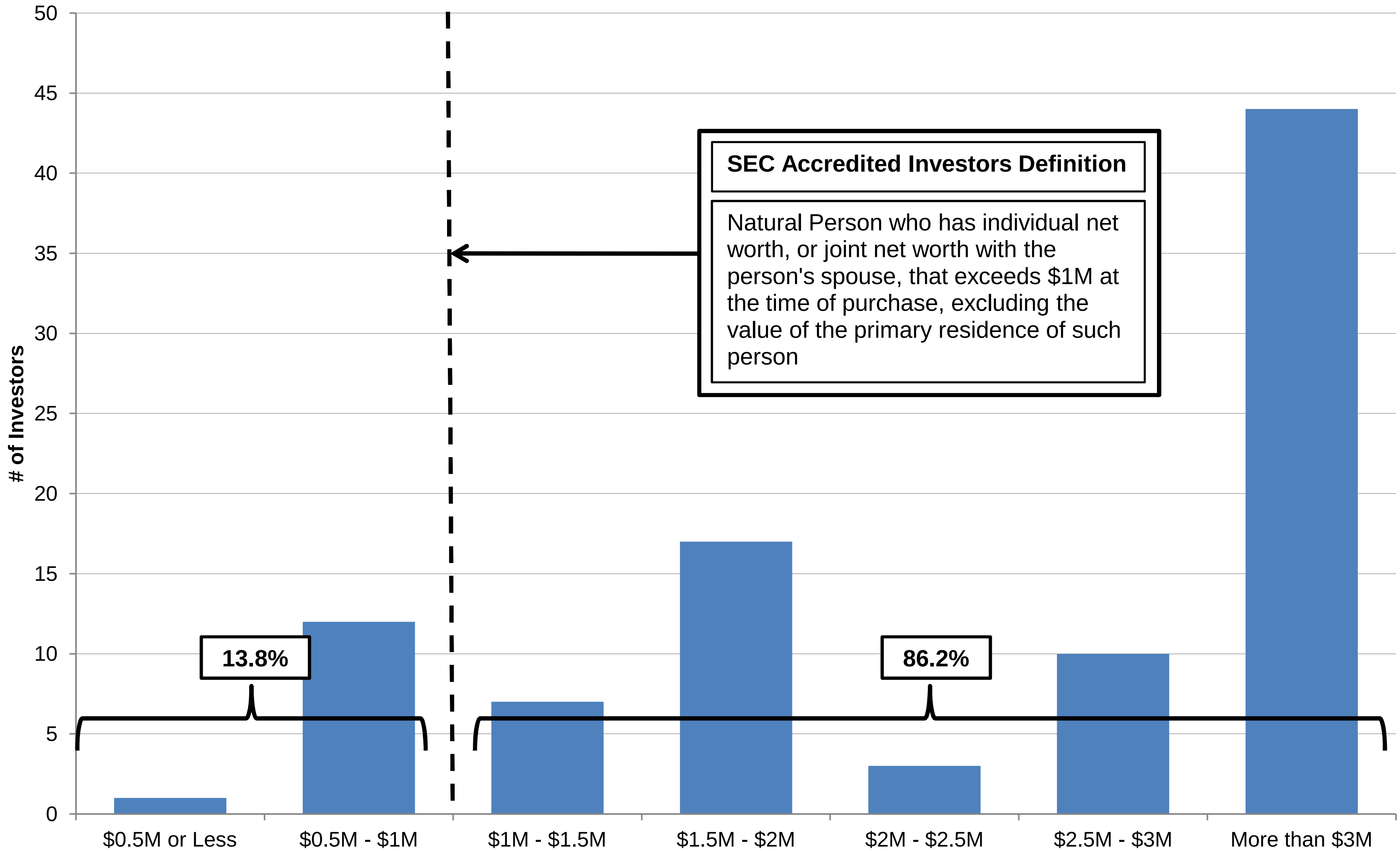
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52517P4N8, n= 60



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

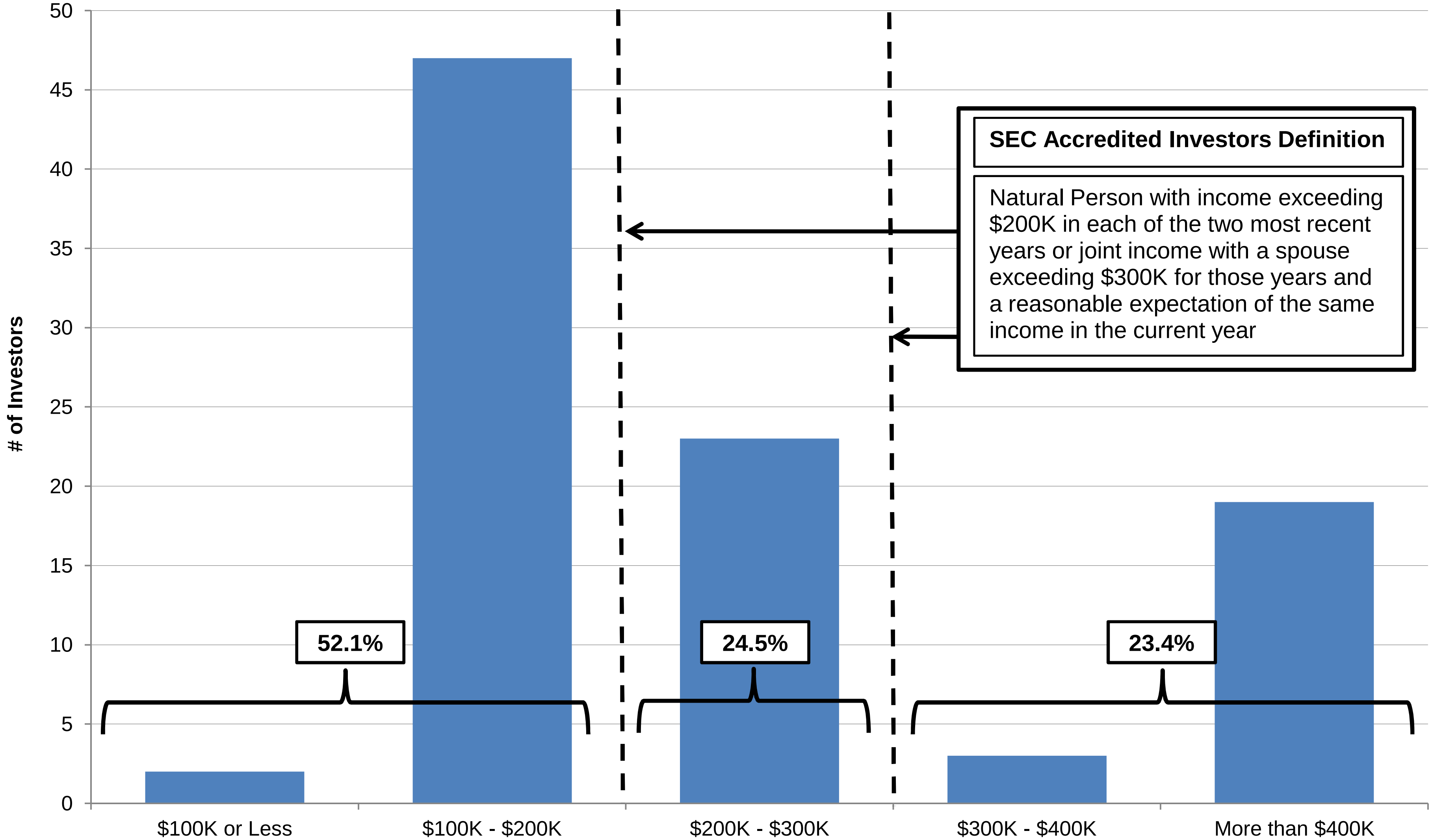
Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52517P4N8, n= 94



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors

CUSIP 52517P4N8, n= 94

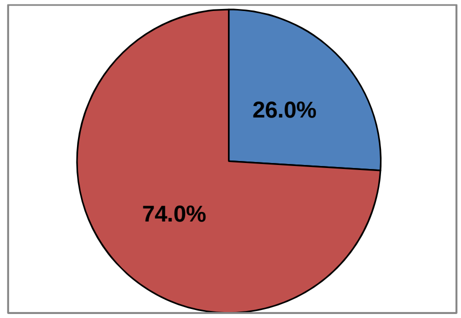


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

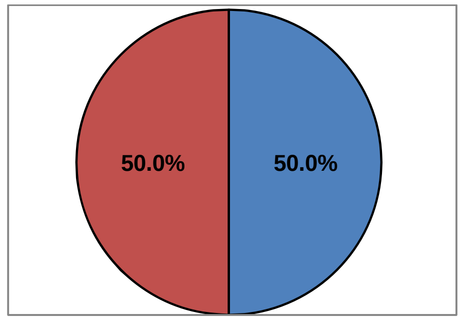
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52517P4N8

Accredited   Unaccredited

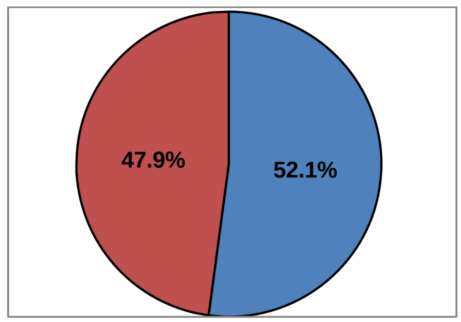
All Investors, n= 154



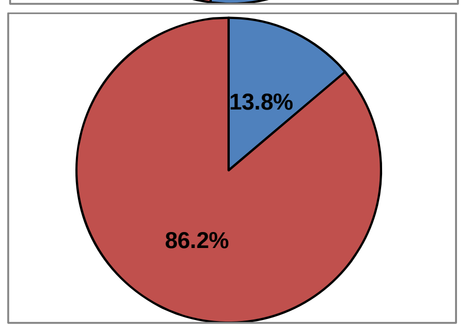
Non-Person Investors, n= 60



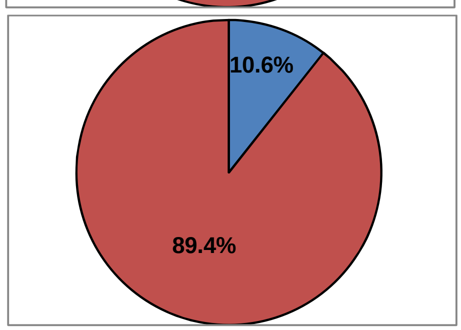
Person Investors Based on Income, n= 94



Person Investors Based on Net Worth, n= 94

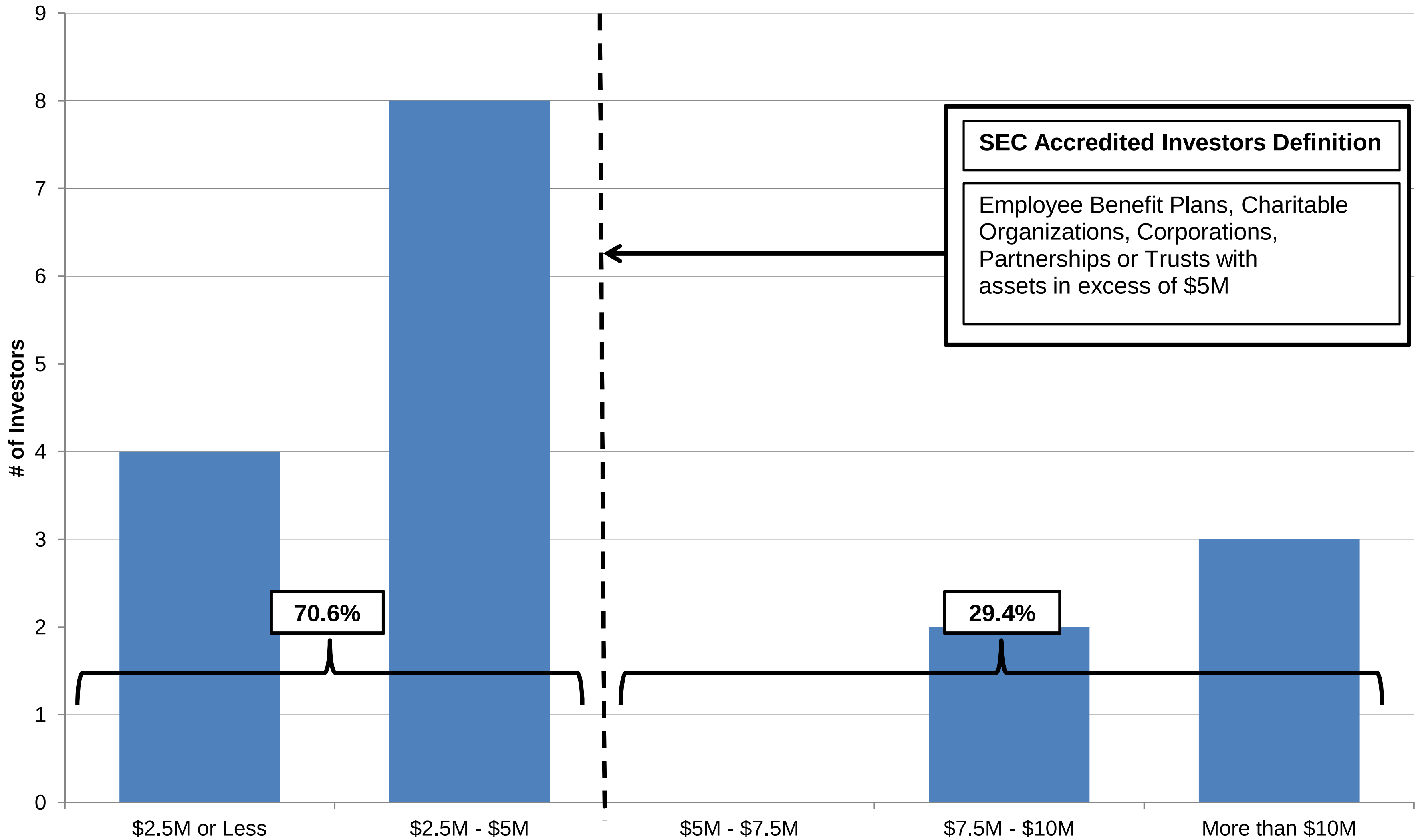


Person Investors Based on Income and Net Worth, n= 94



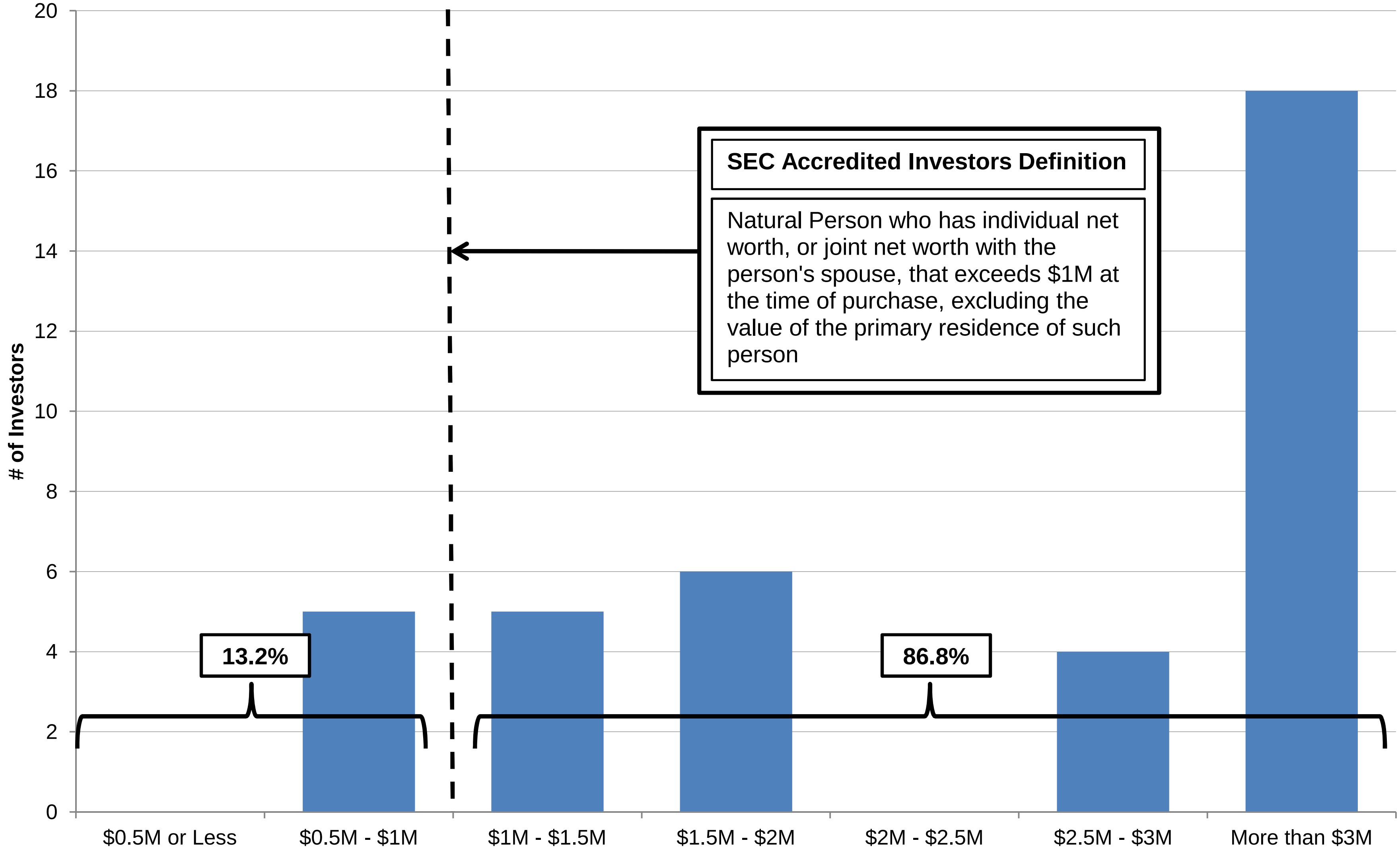
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52517P5K3, n= 17



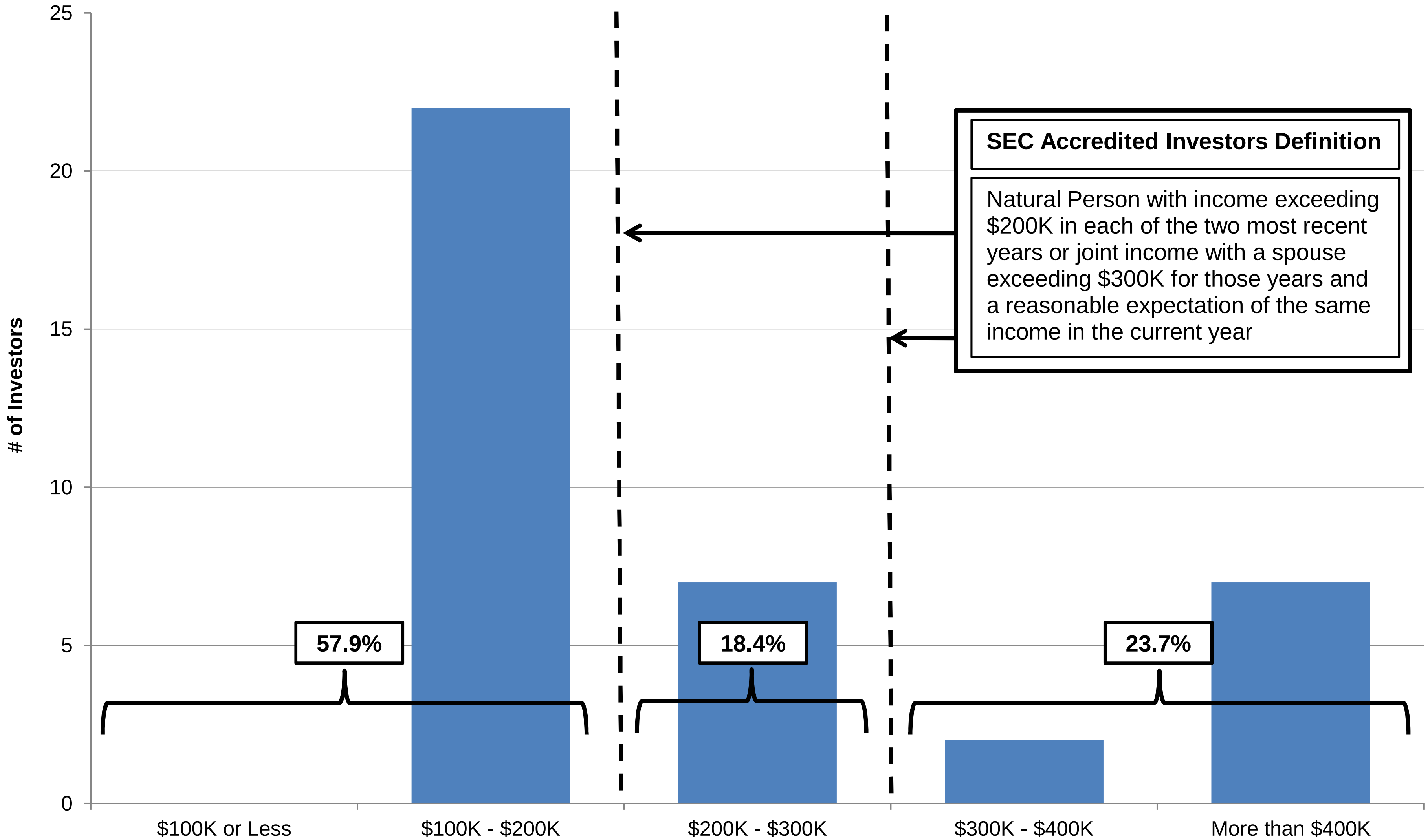
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52517P5K3, n= 38



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52517P5K3, n= 38

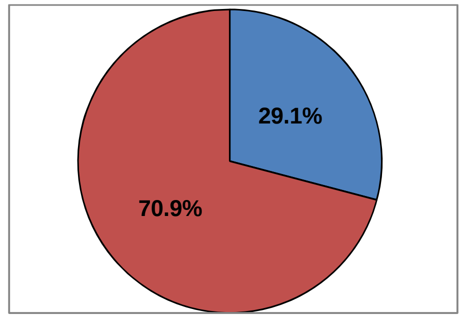


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

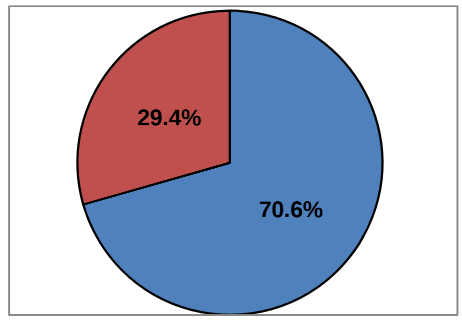
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52517P5K3

Accredited Unaccredited

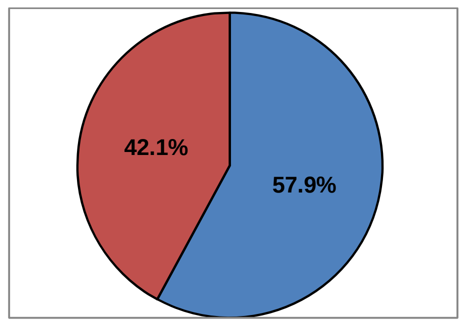
All Investors, n= 55



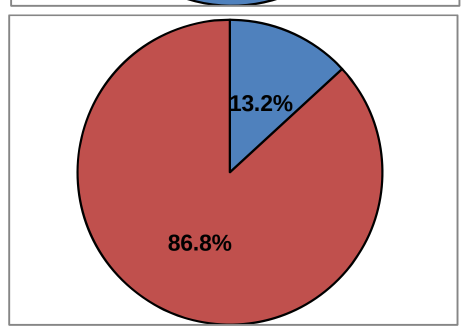
Non-Person Investors, n= 17



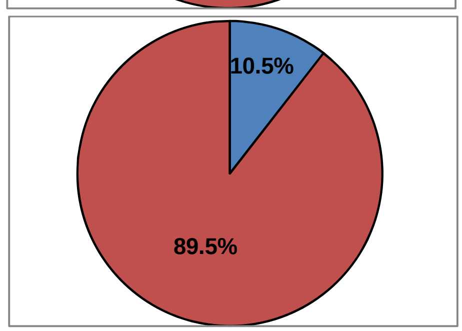
Person Investors Based on Income, n= 38



Person Investors Based on Net Worth, n= 38

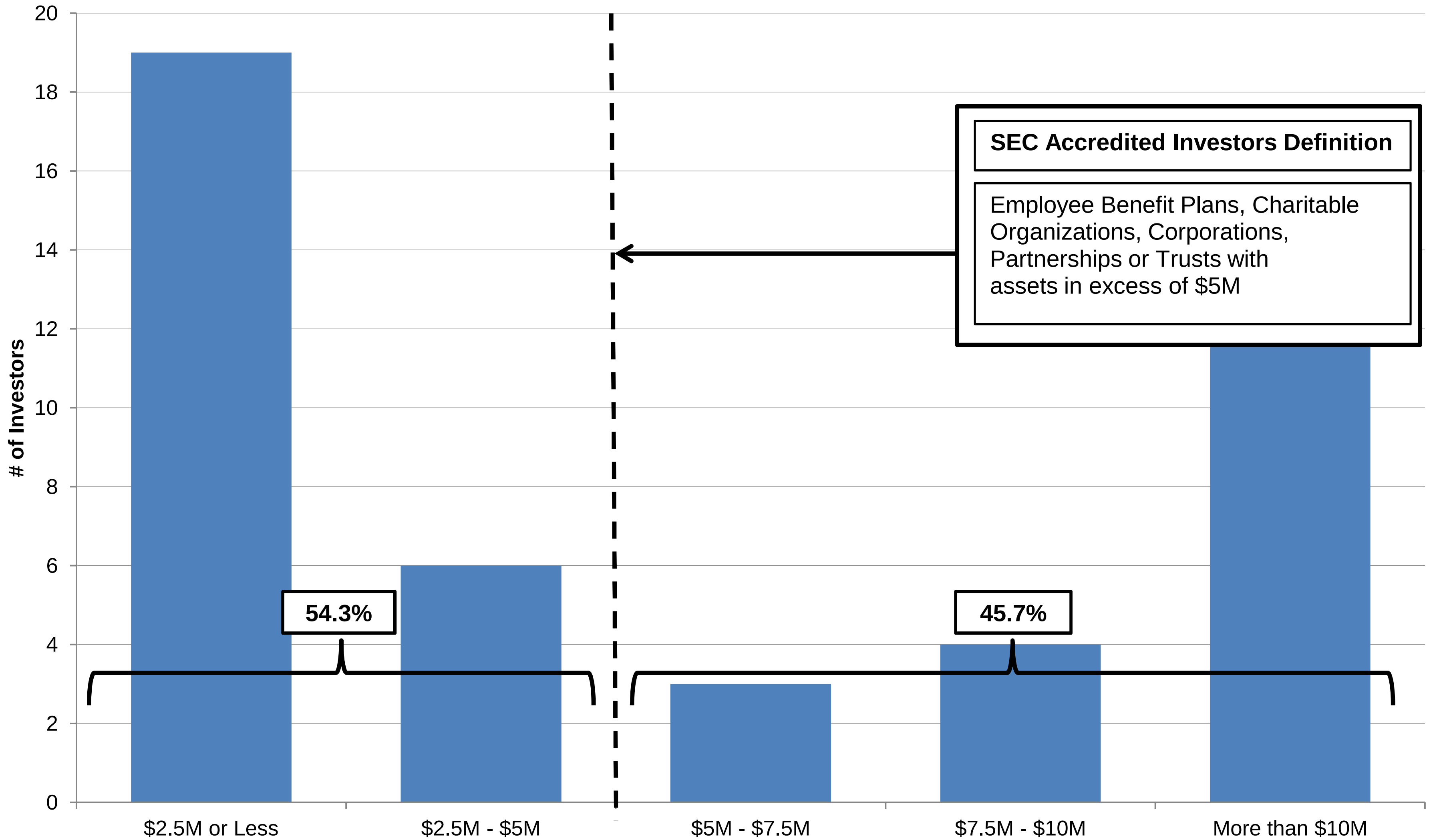


Person Investors Based on Income and Net Worth, n= 38



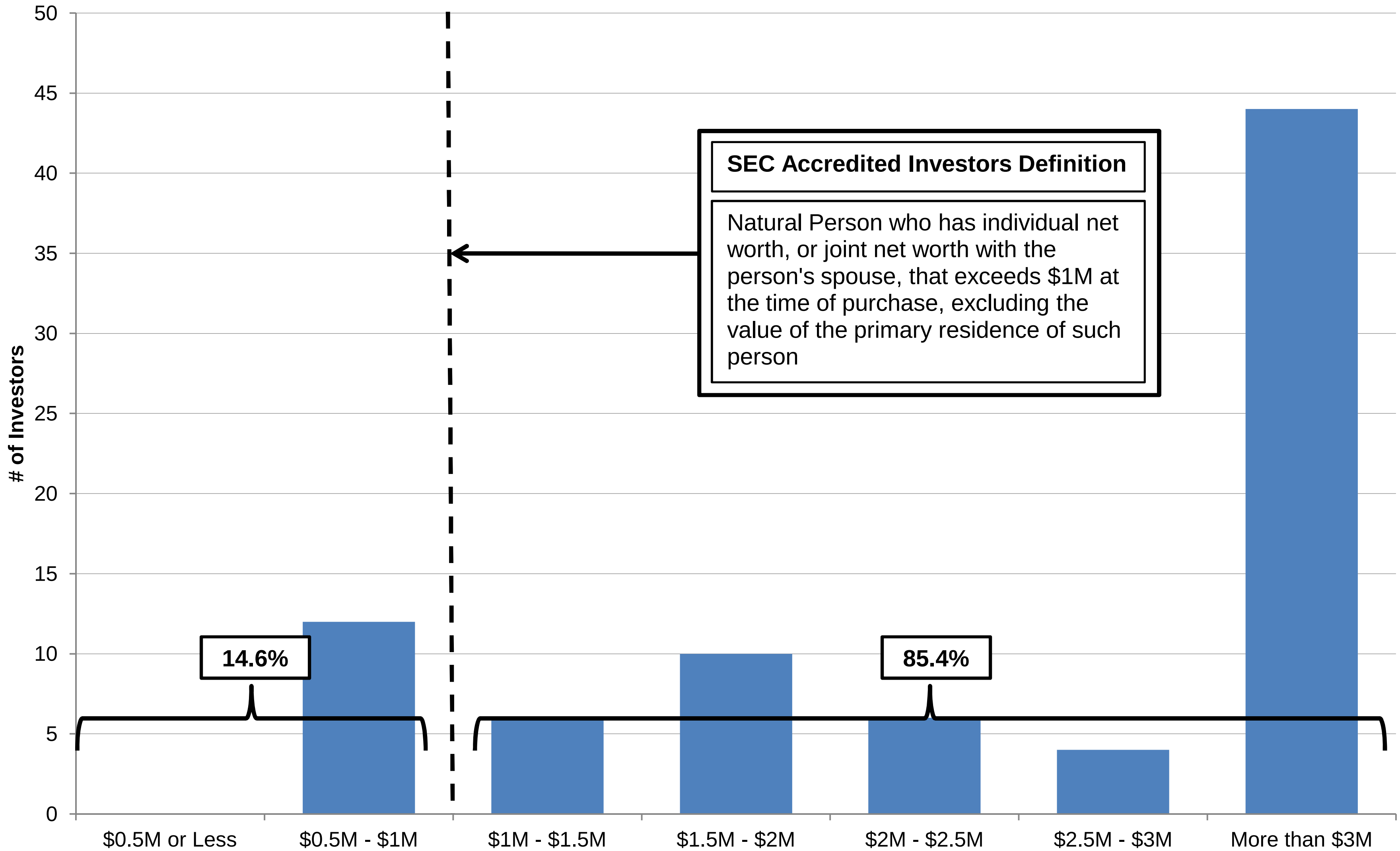
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52517PX63, n= 46



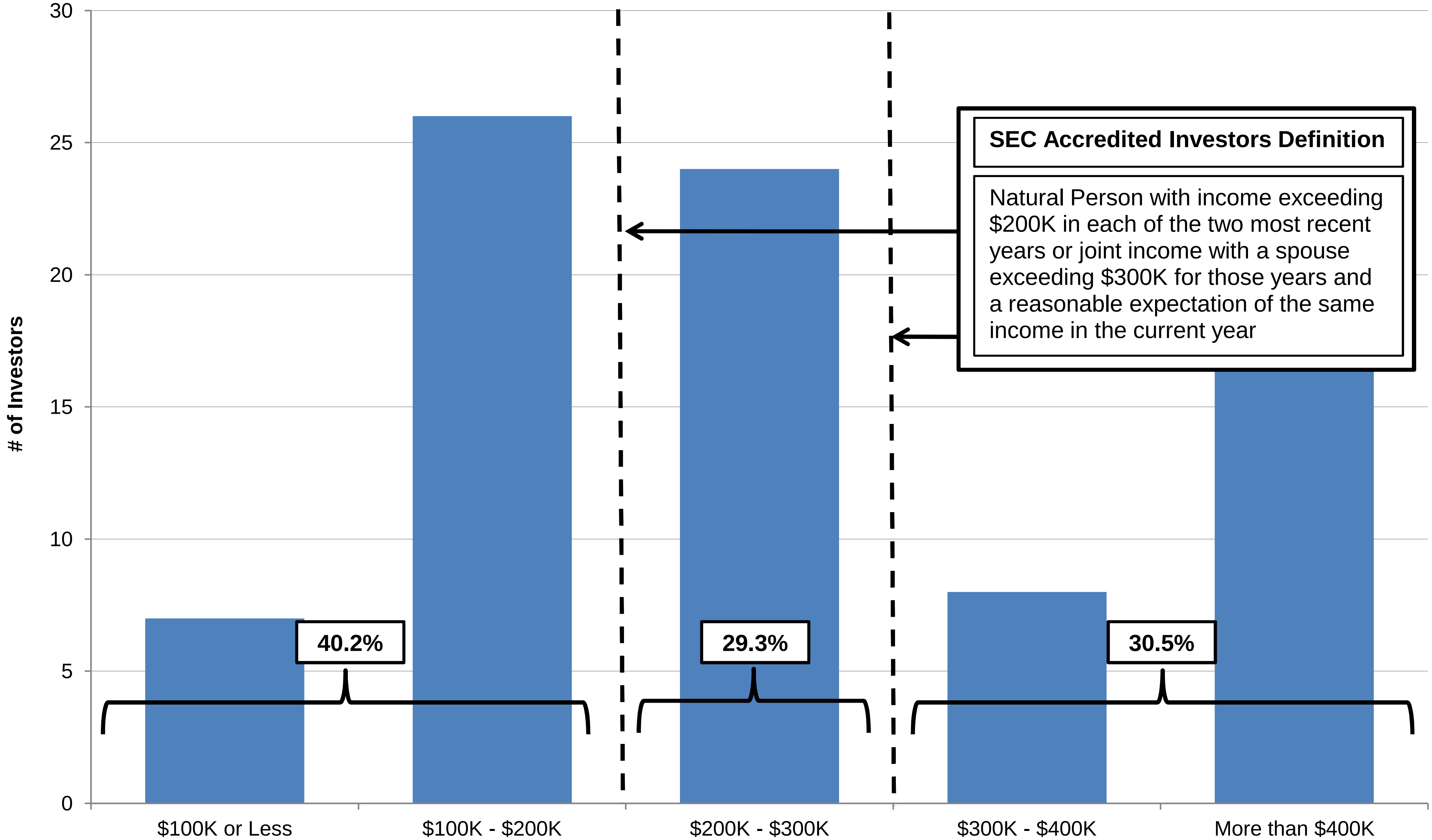
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52517PX63, n= 82



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52517PX63, n= 82

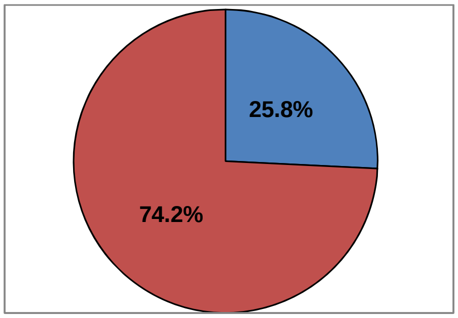


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

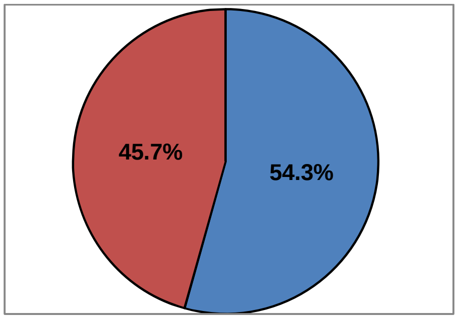
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52517PX63

Accredited   Unaccredited

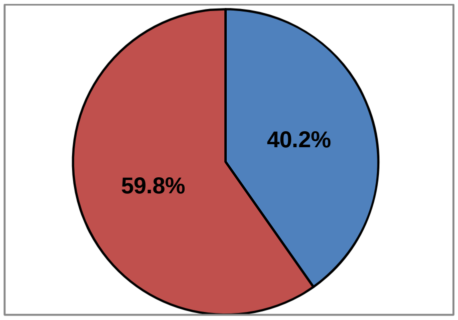
All Investors, n= 128



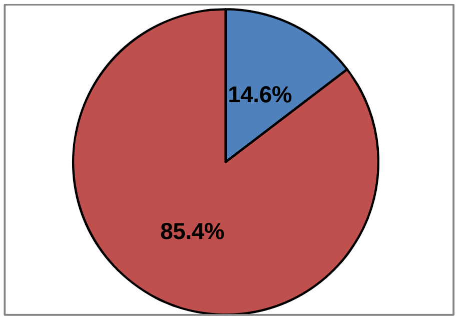
Non-Person Investors, n= 46



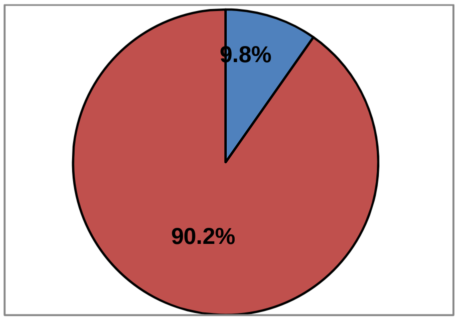
Person Investors Based on Income, n= 82



Person Investors Based on Net Worth, n= 82

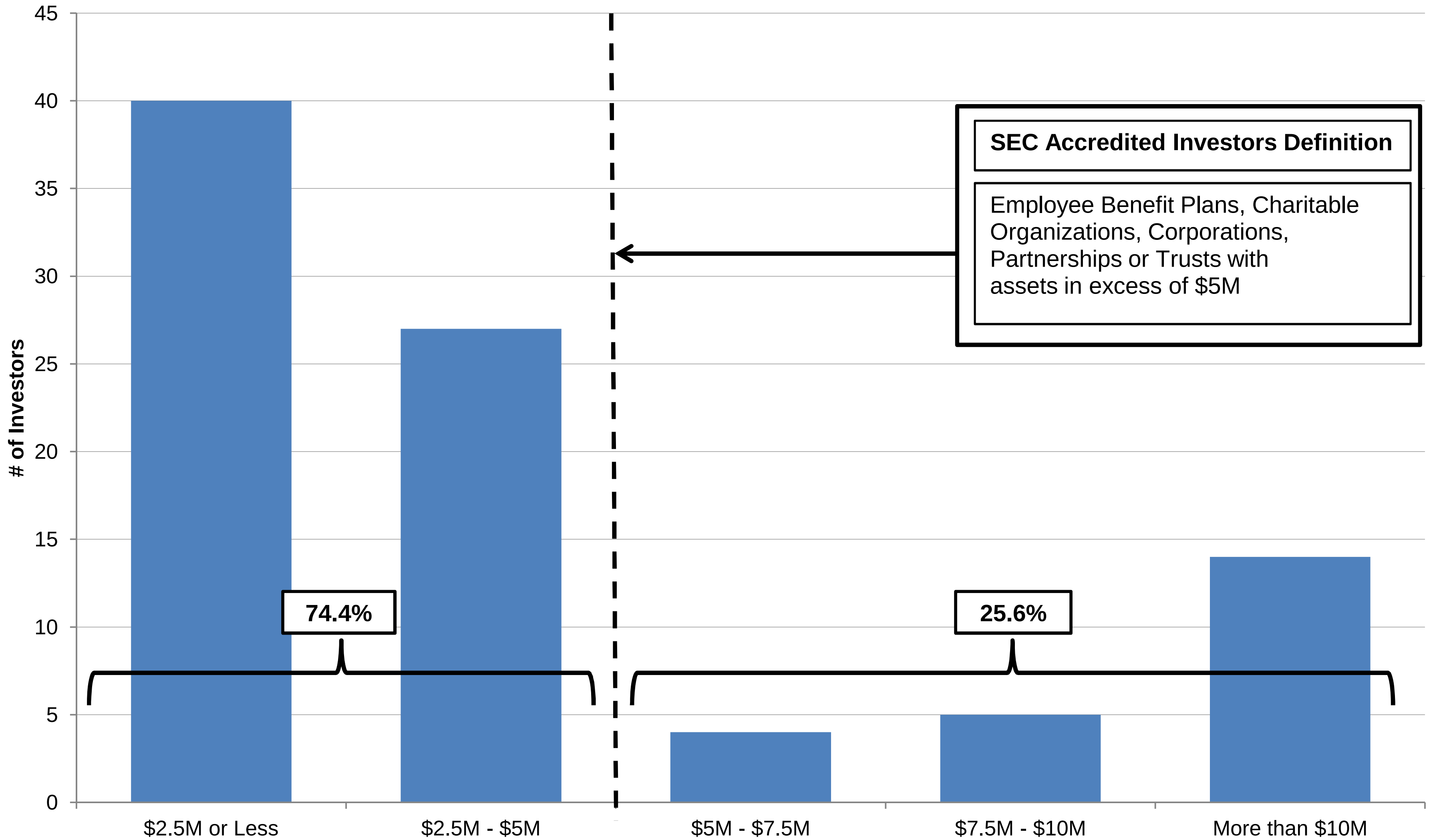


Person Investors Based on Income and Net Worth, n= 82



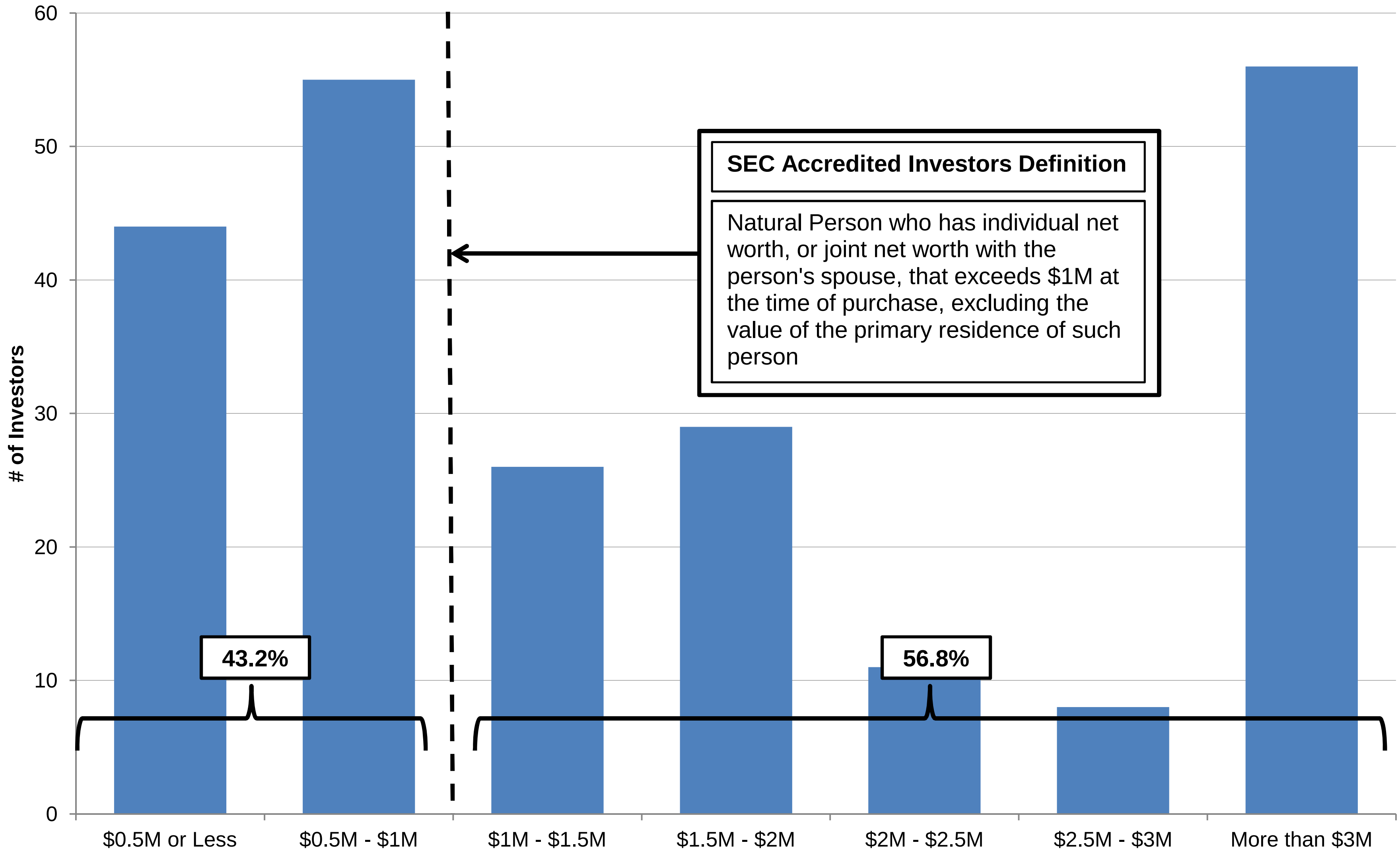
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52520W325, n= 90



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

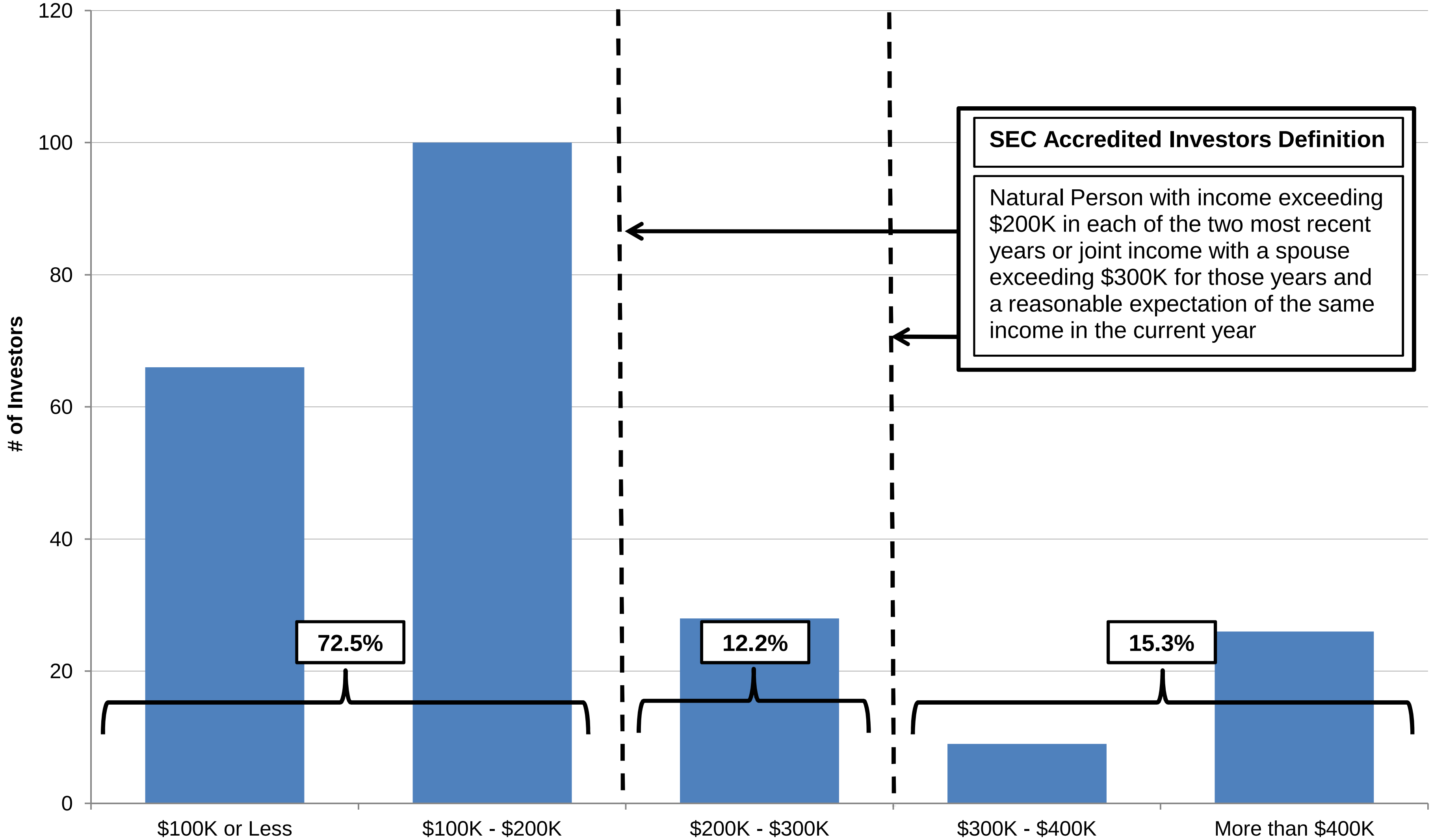
Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52520W325, n= 229



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors

CUSIP 52520W325, n= 229

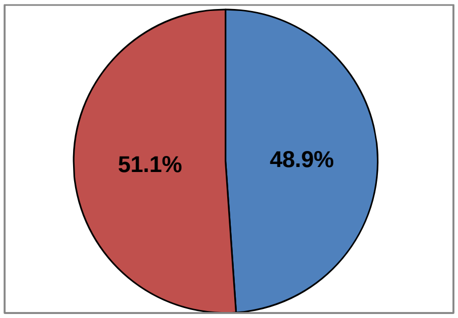


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

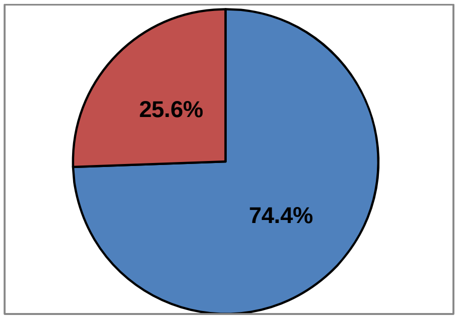
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52520W325

Accredited   Unaccredited

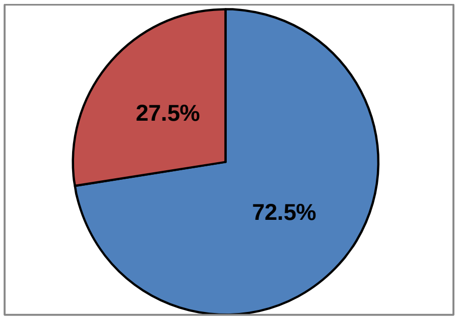
All Investors, n= 319



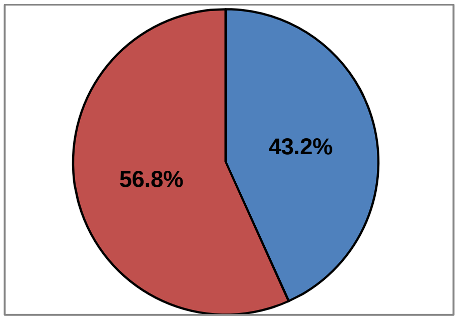
Non-Person Investors, n= 90



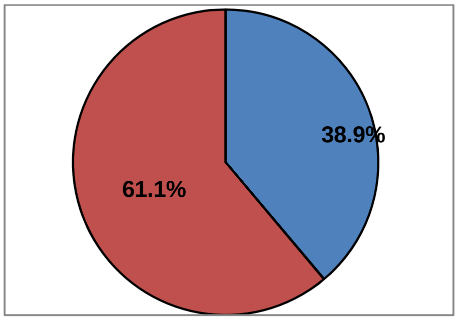
Person Investors Based on Income, n= 229



Person Investors Based on Net Worth, n= 229

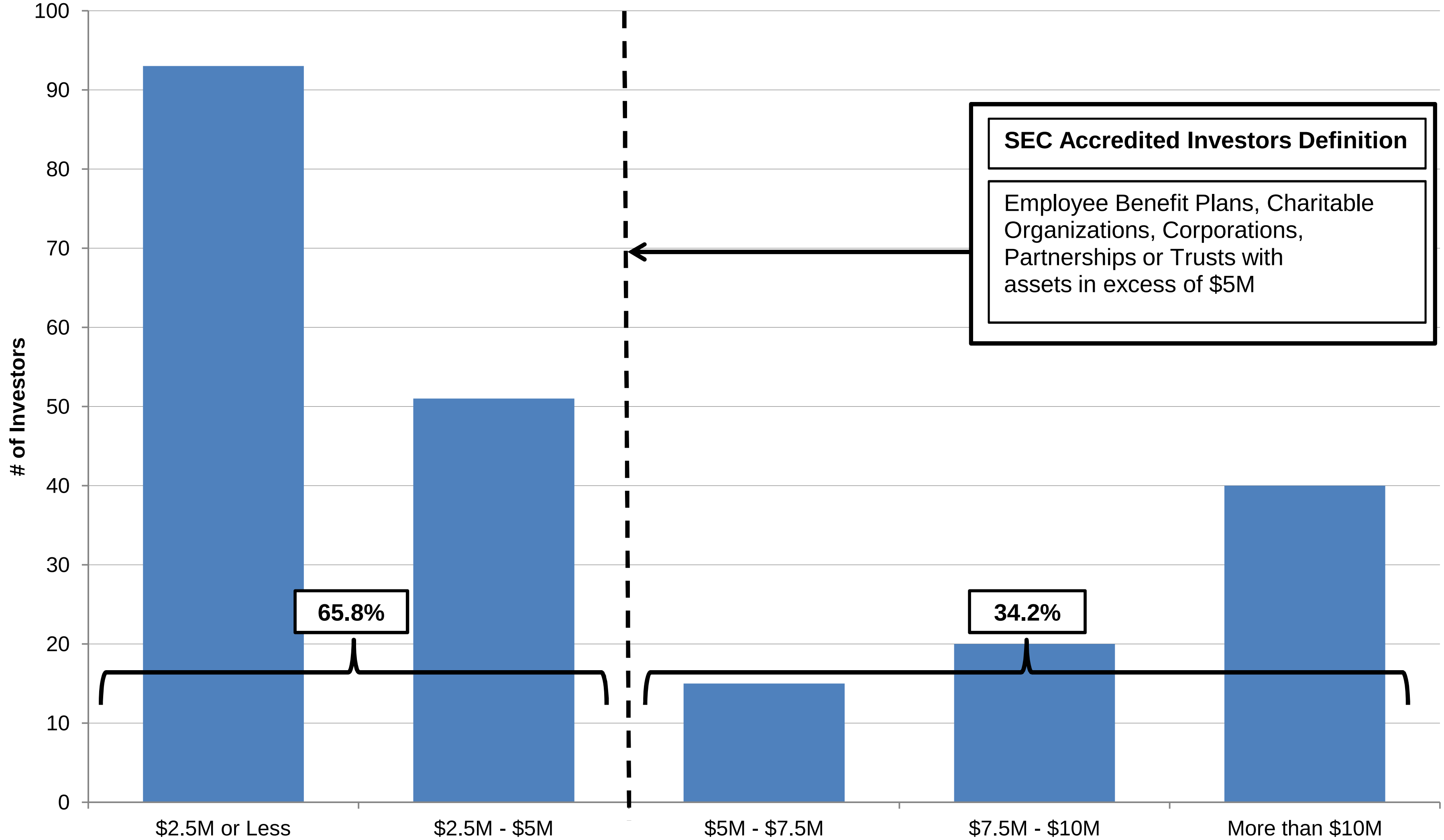


Person Investors Based on Income and Net Worth, n= 229



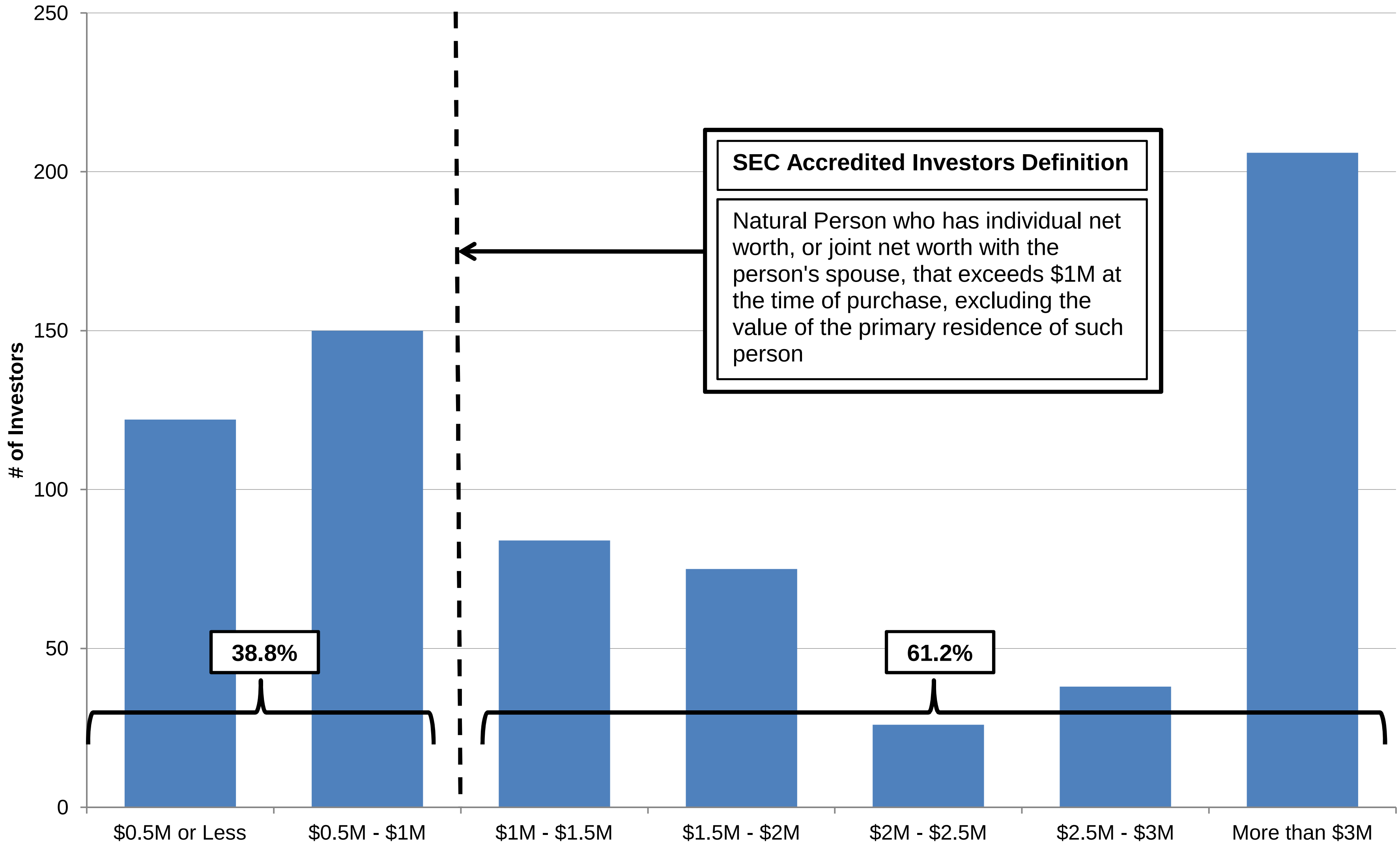
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52520W333, n= 219



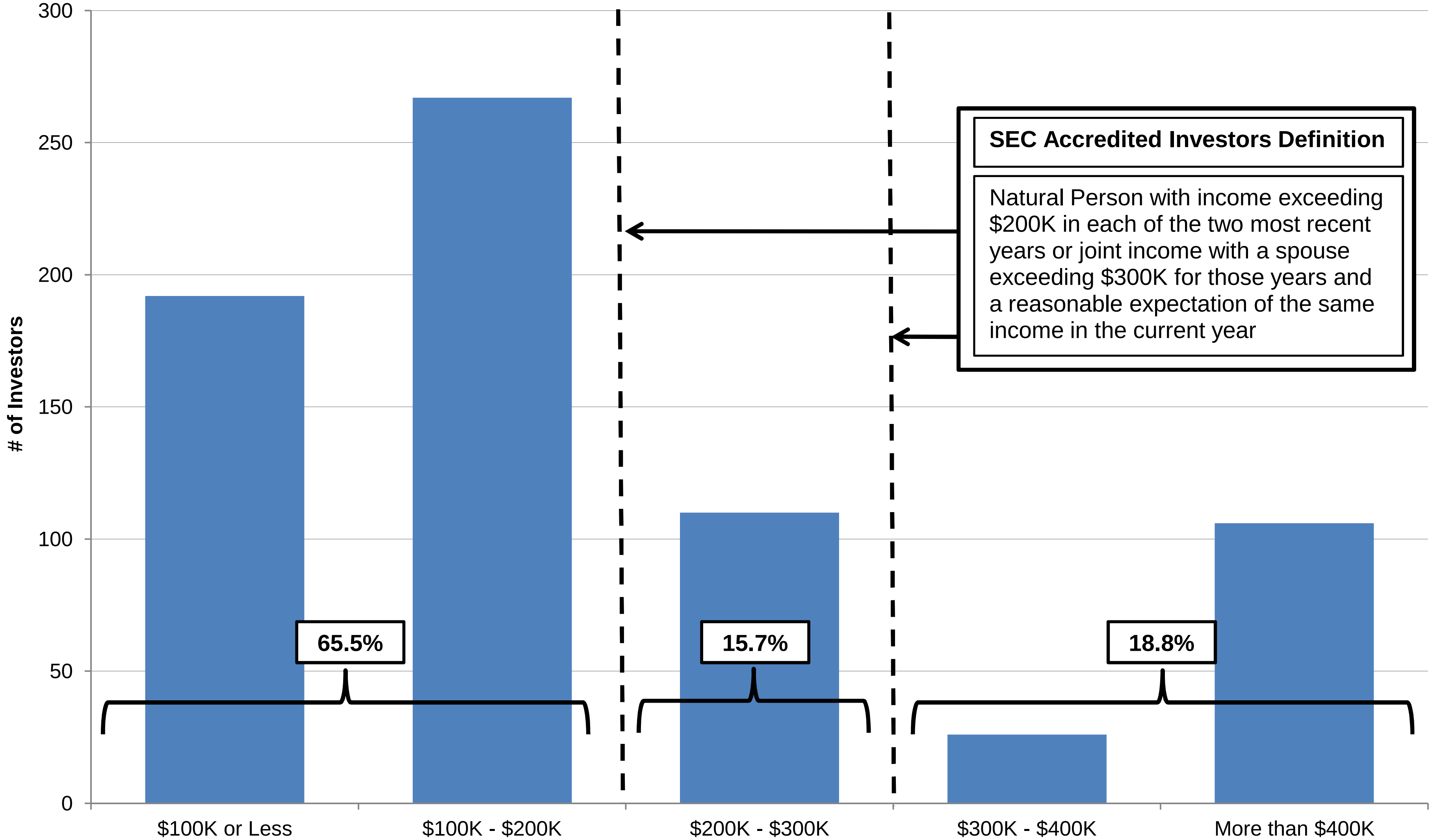
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52520W333, n= 701



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52520W333, n= 701

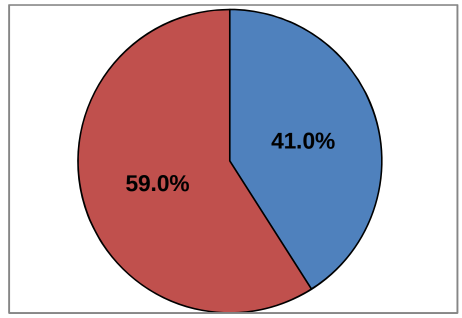


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

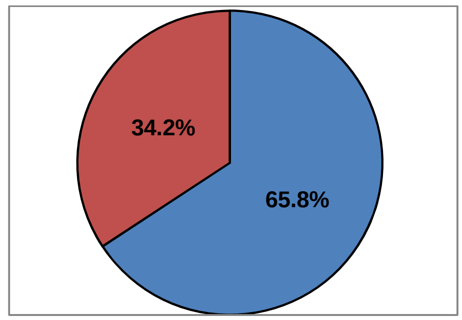
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52520W333

Accredited Unaccredited

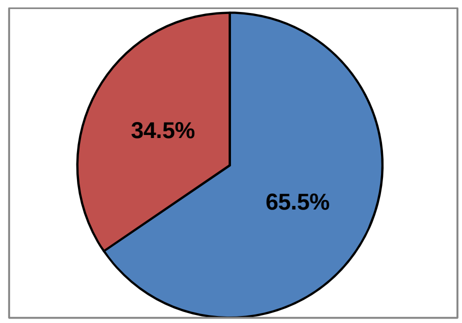
All Investors, n= 920



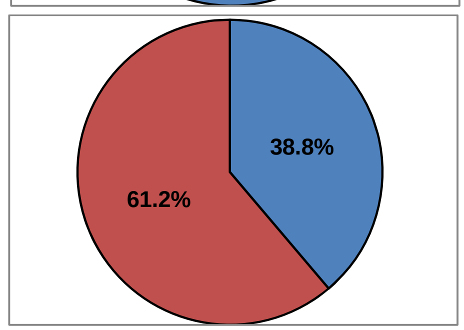
Non-Person Investors, n= 219



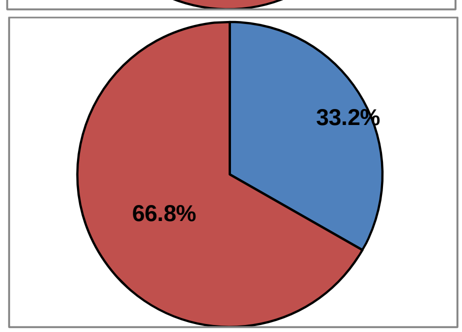
Person Investors Based on Income, n= 701



Person Investors Based on Net Worth, n= 701

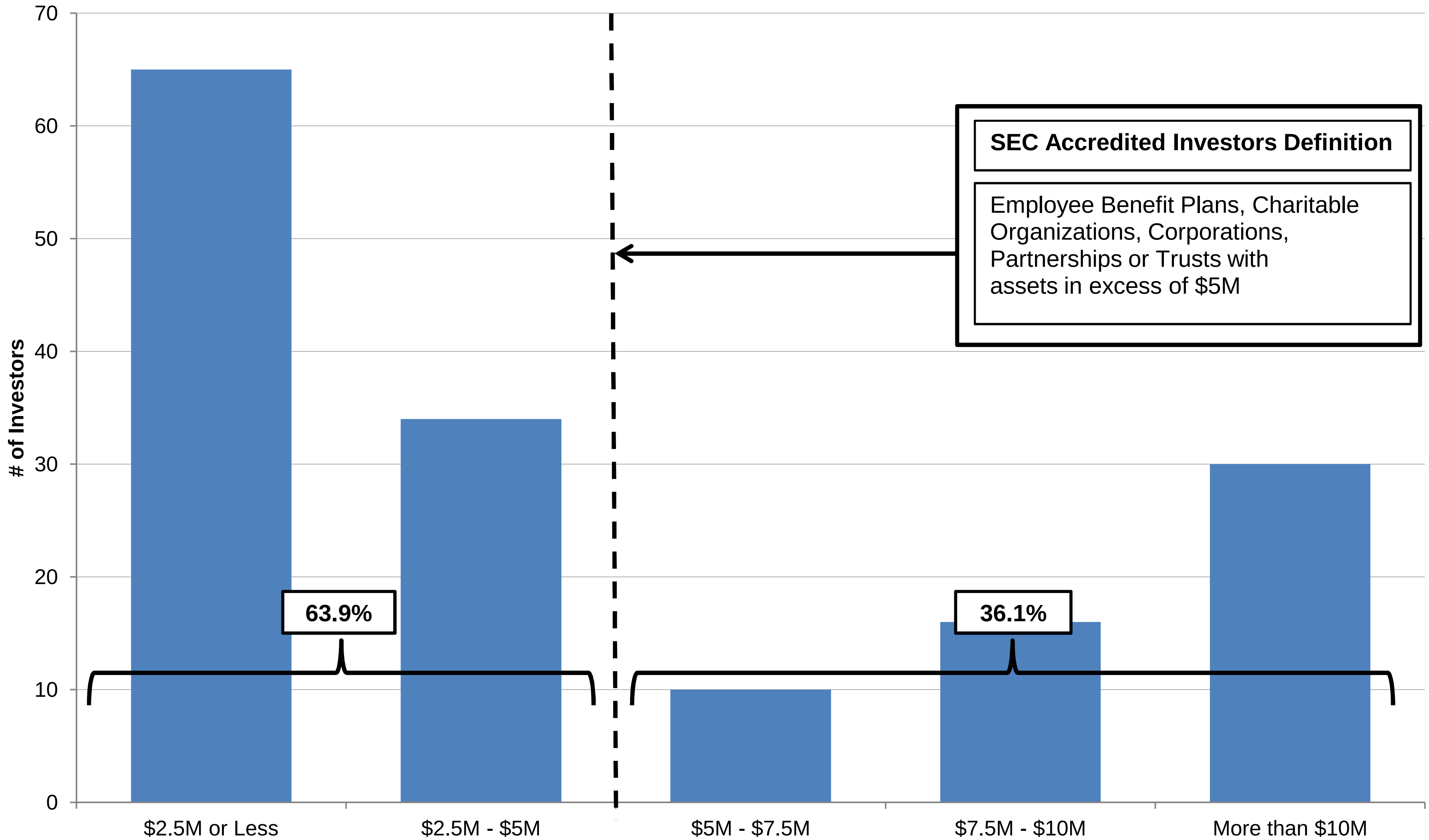


Person Investors Based on Income and Net Worth, n= 701



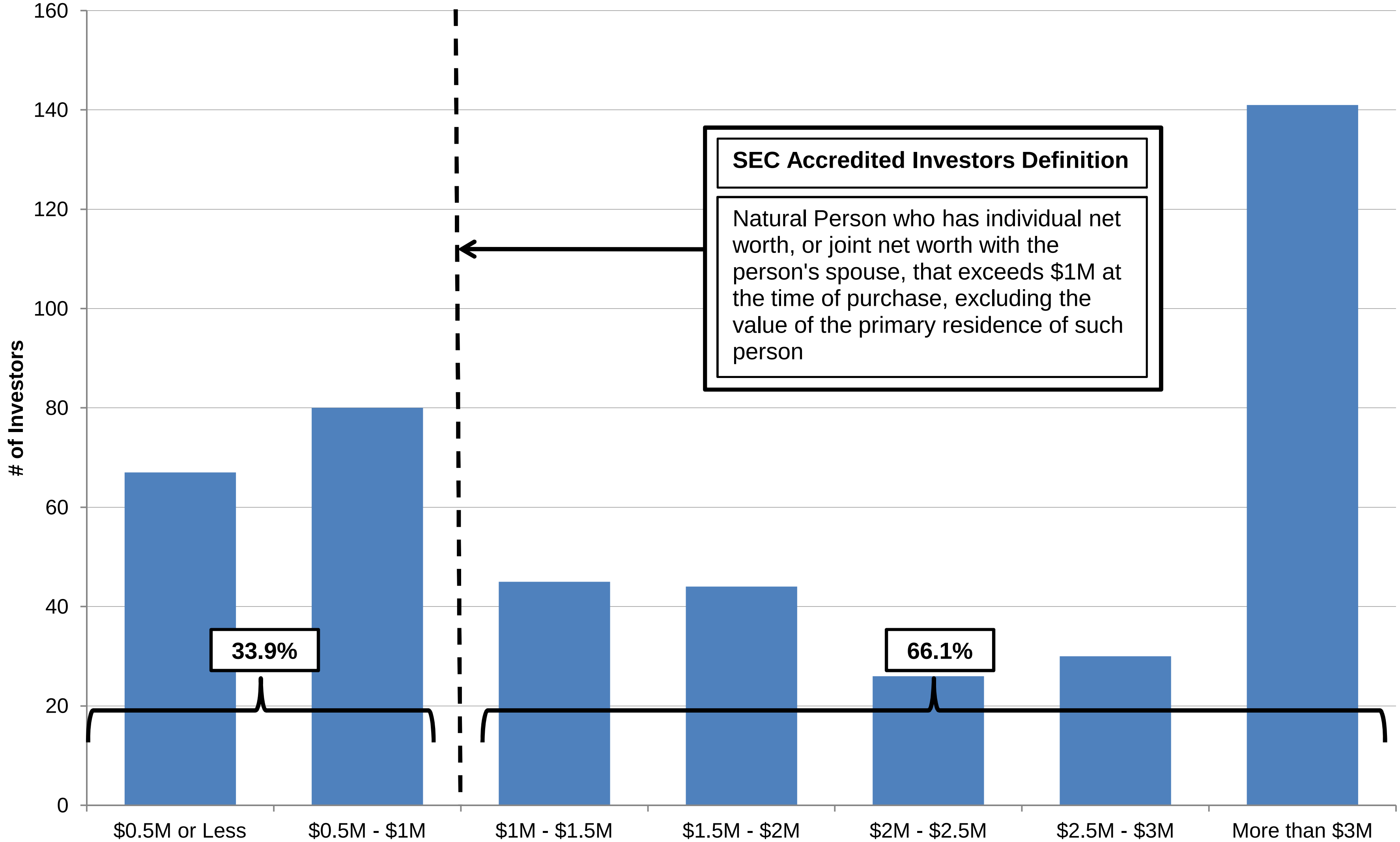
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52520W341, n= 155



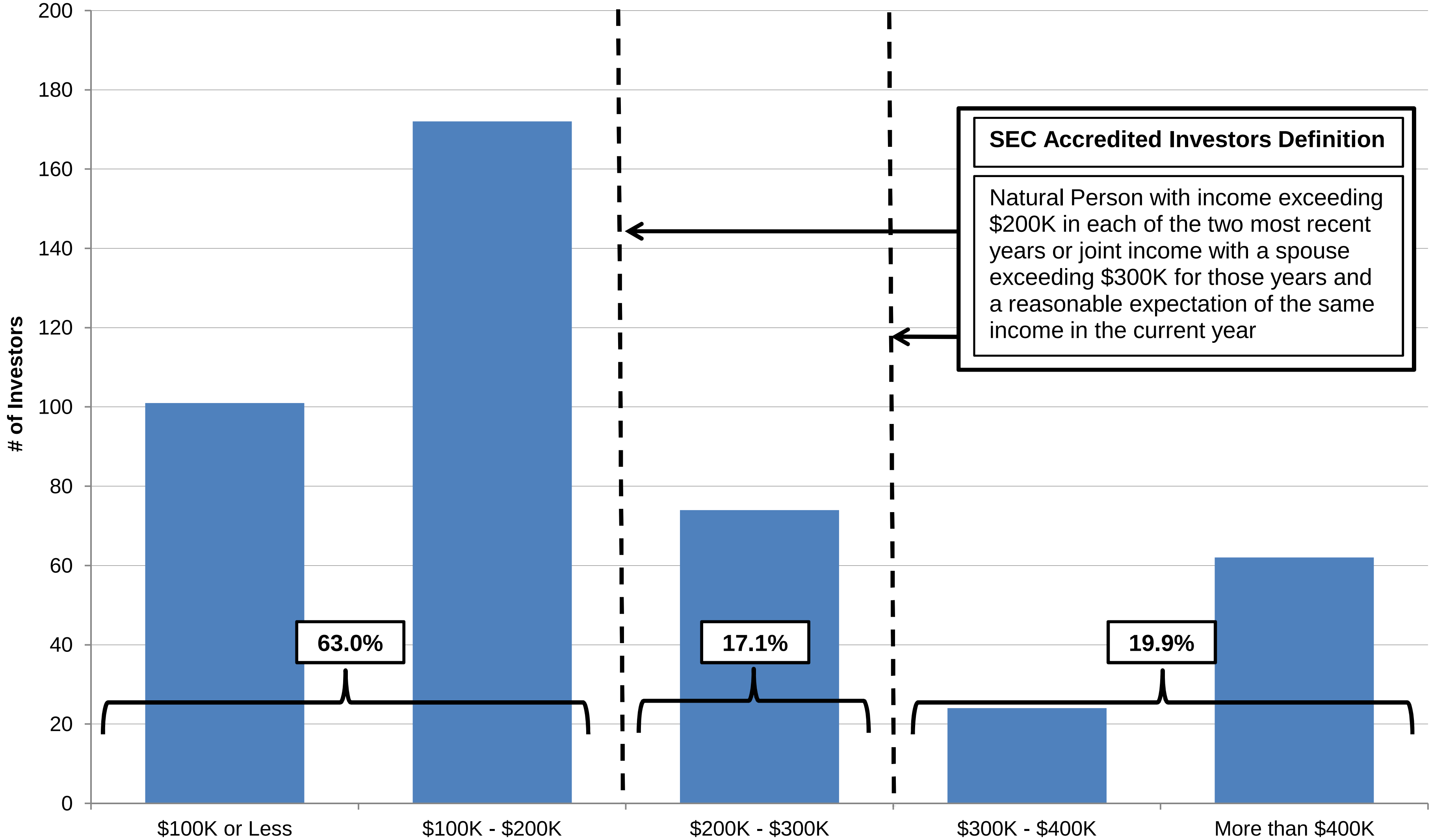
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52520W341, n= 433



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52520W341, n= 433

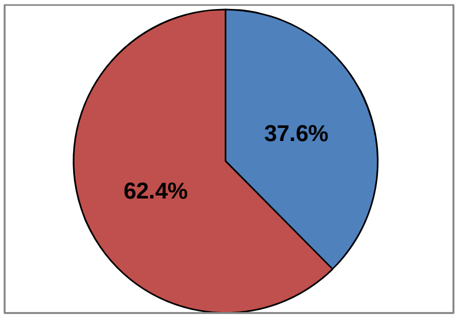


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

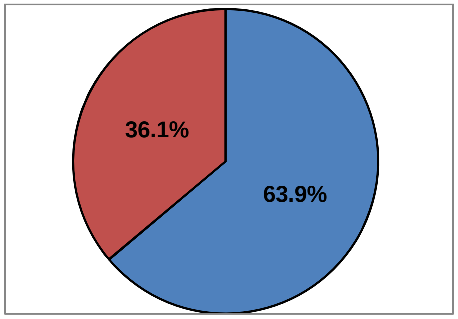
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52520W341

Accredited Unaccredited

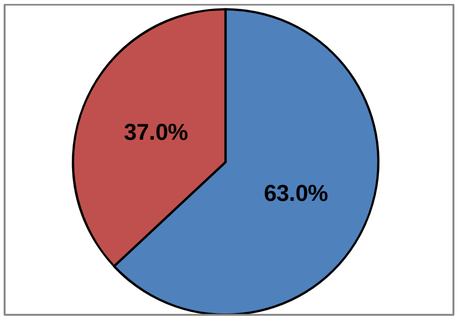
All Investors, n= 588



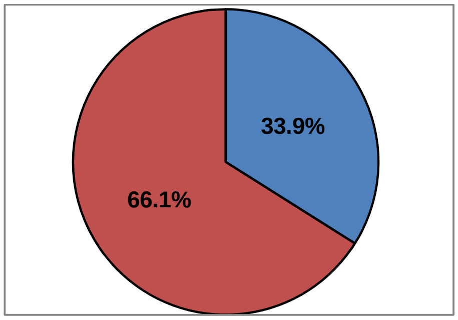
Non-Person Investors, n= 155



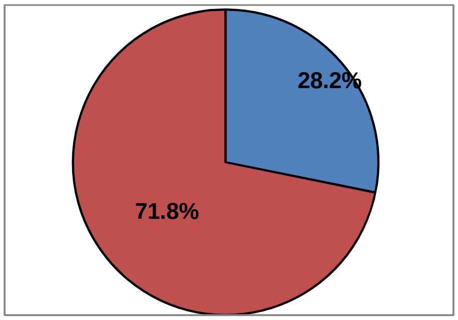
Person Investors Based on Income, n= 433



Person Investors Based on Net Worth, n= 433

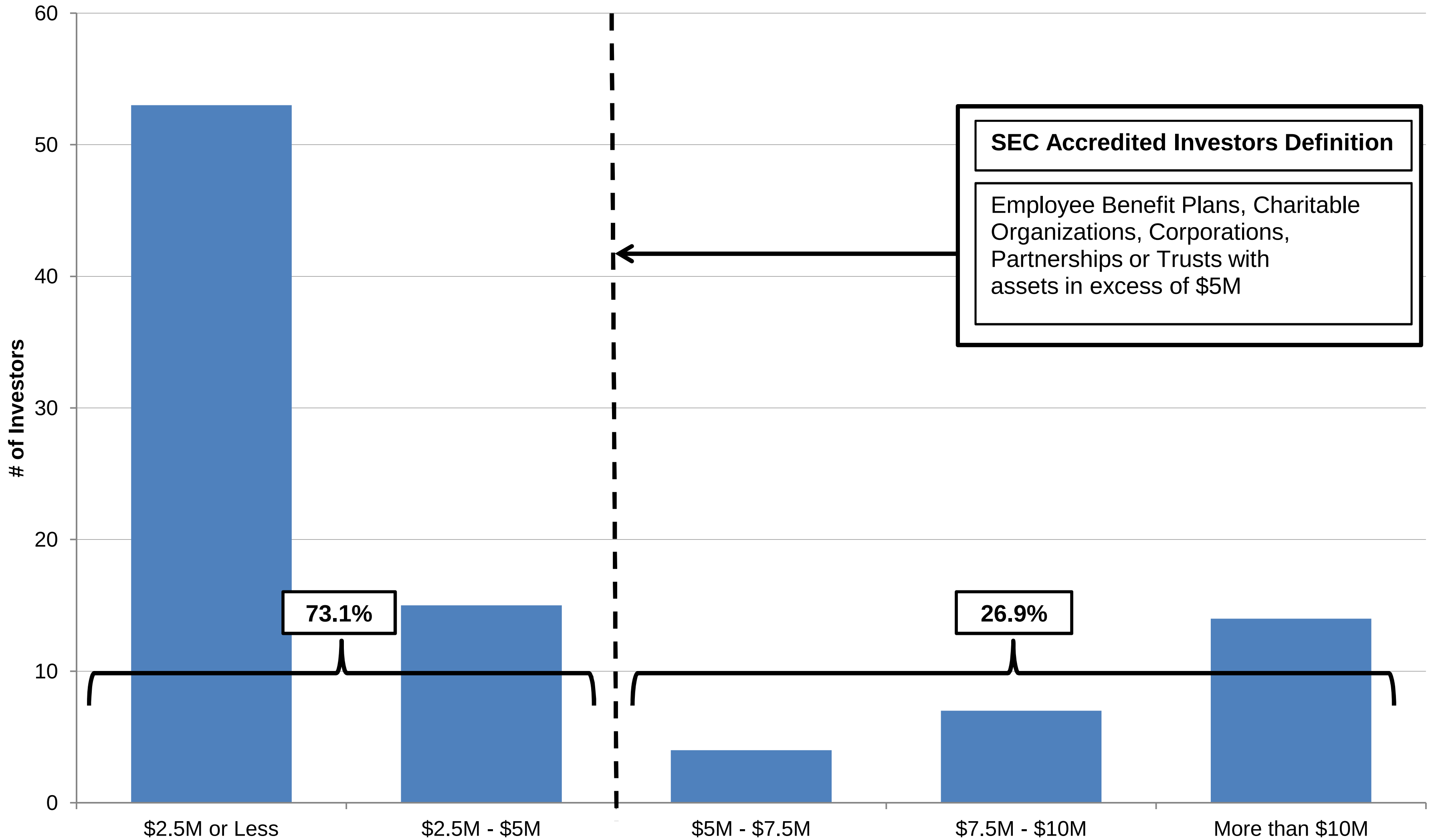


Person Investors Based on Income and Net Worth, n= 433



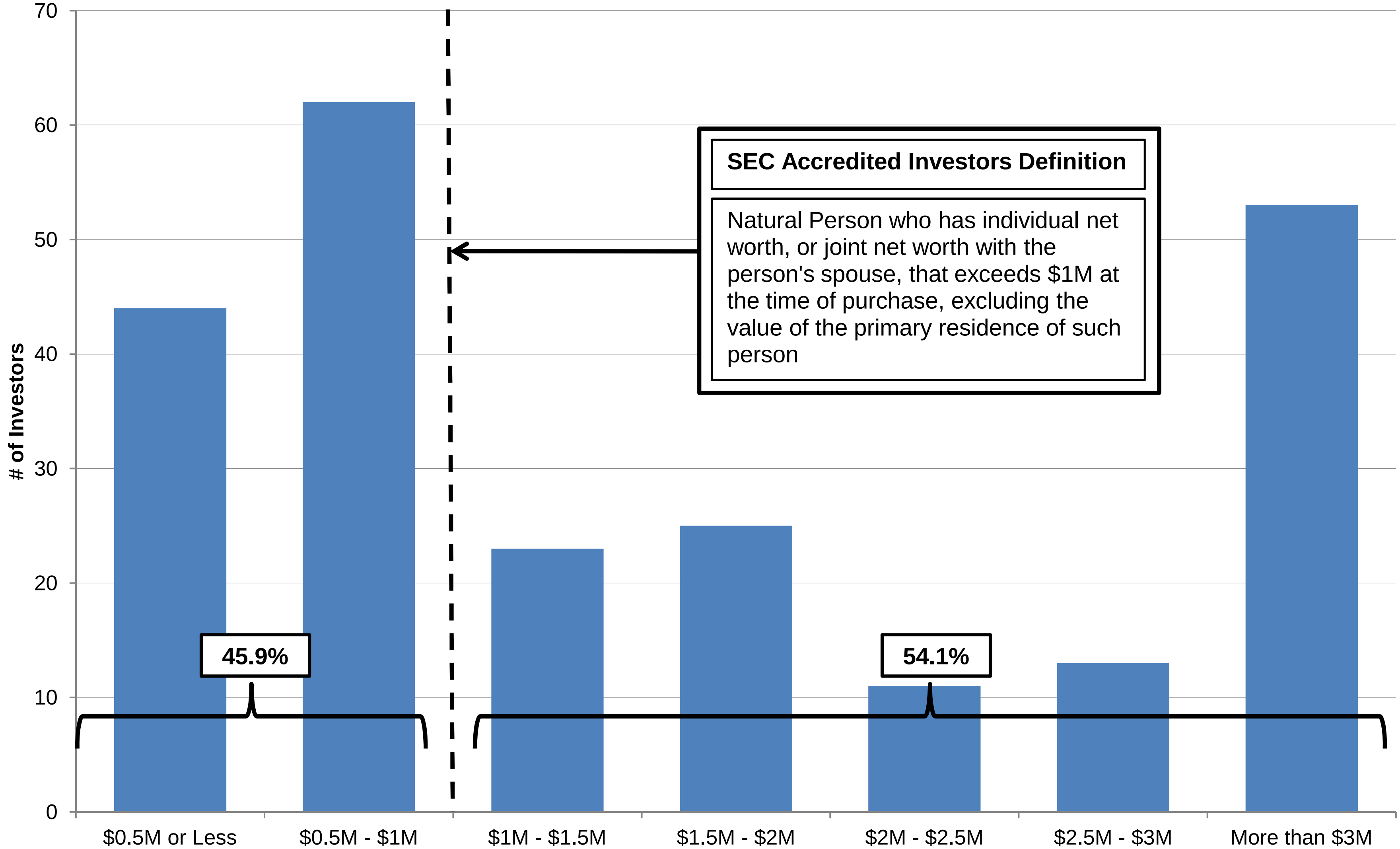
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52520W440, n= 93



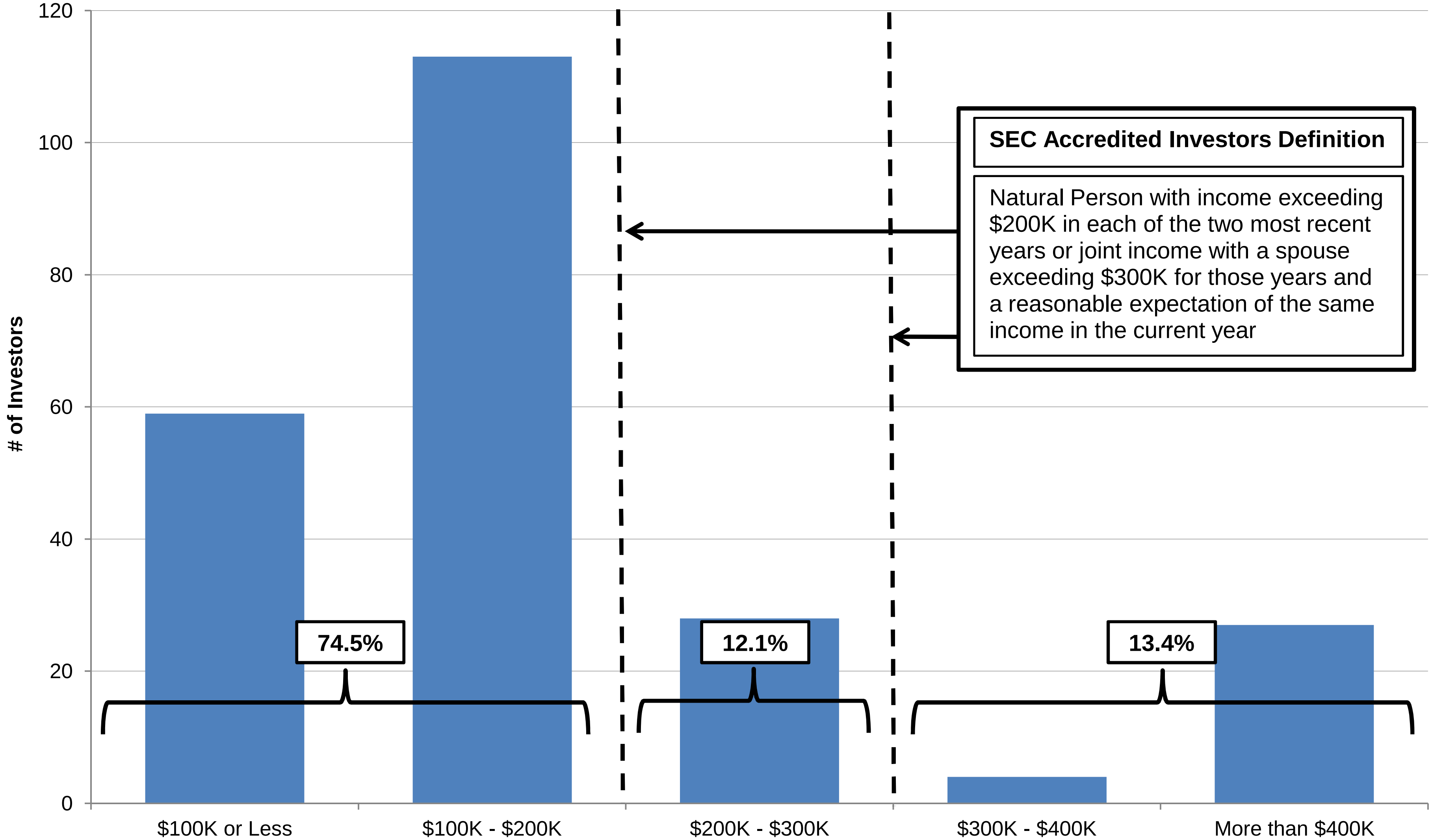
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52520W440, n= 231



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52520W440, n= 231

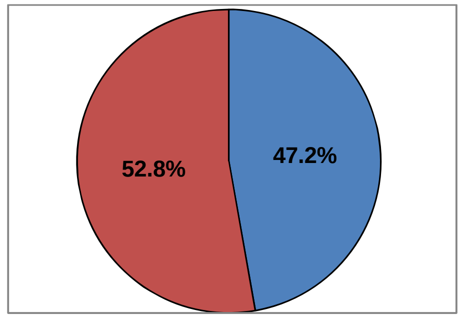


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

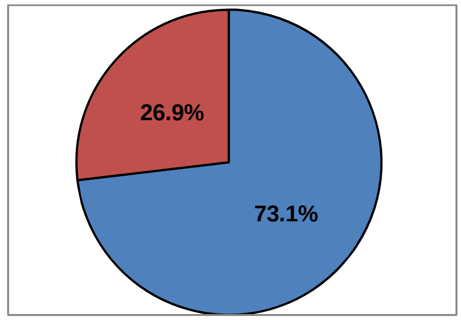
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52520W440

Accredited   Unaccredited

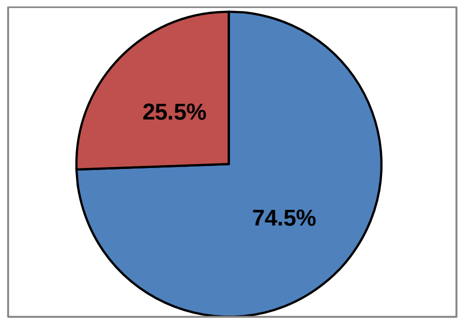
All Investors, n= 324



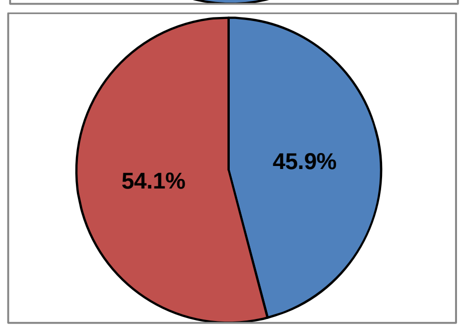
Non-Person Investors, n= 93



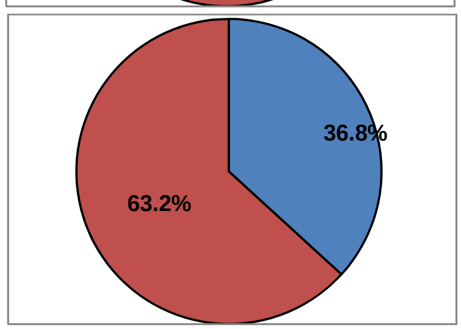
Person Investors Based on Income, n= 231



Person Investors Based on Net Worth, n= 231

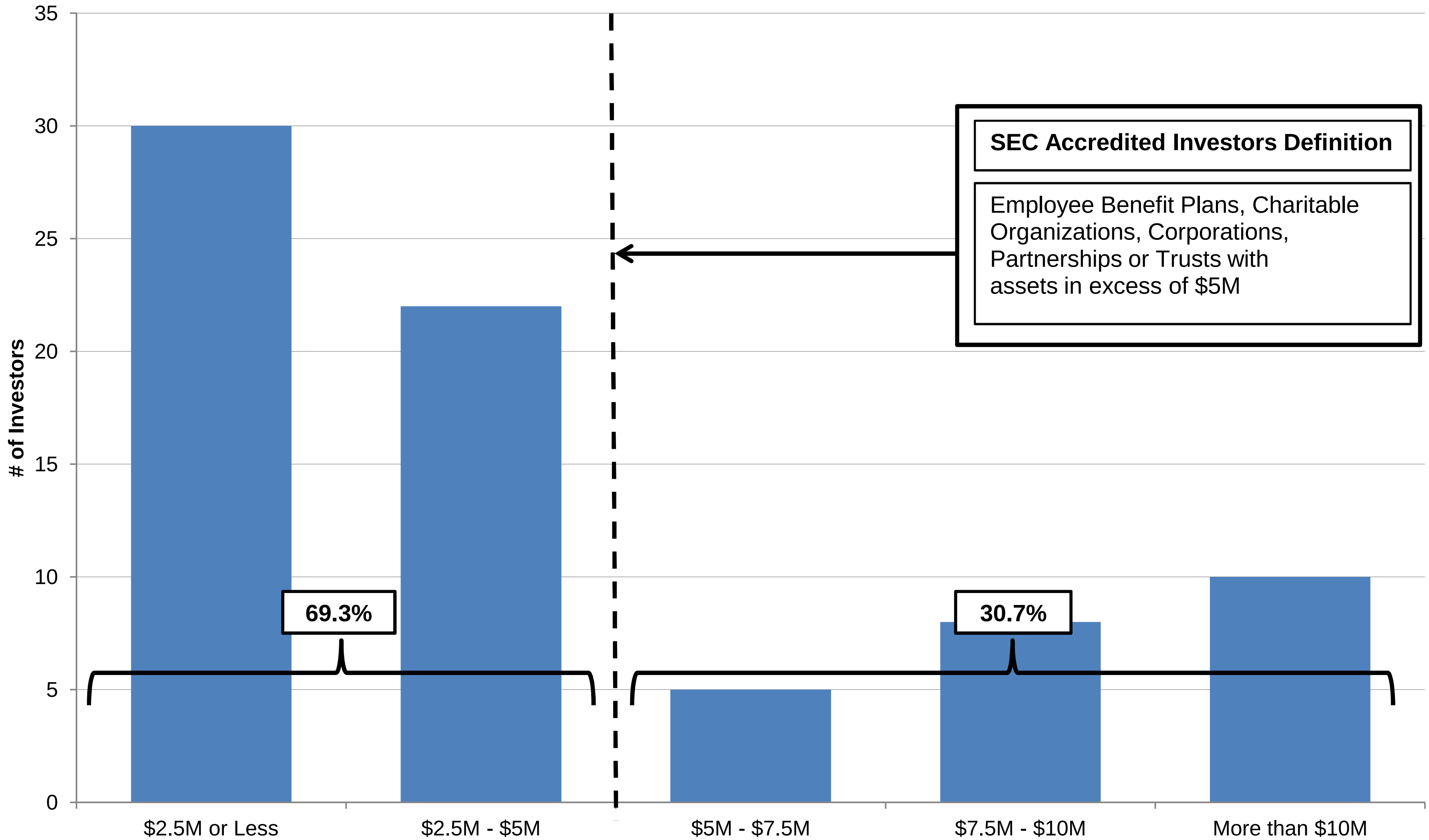


Person Investors Based on Income and Net Worth, n= 231



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

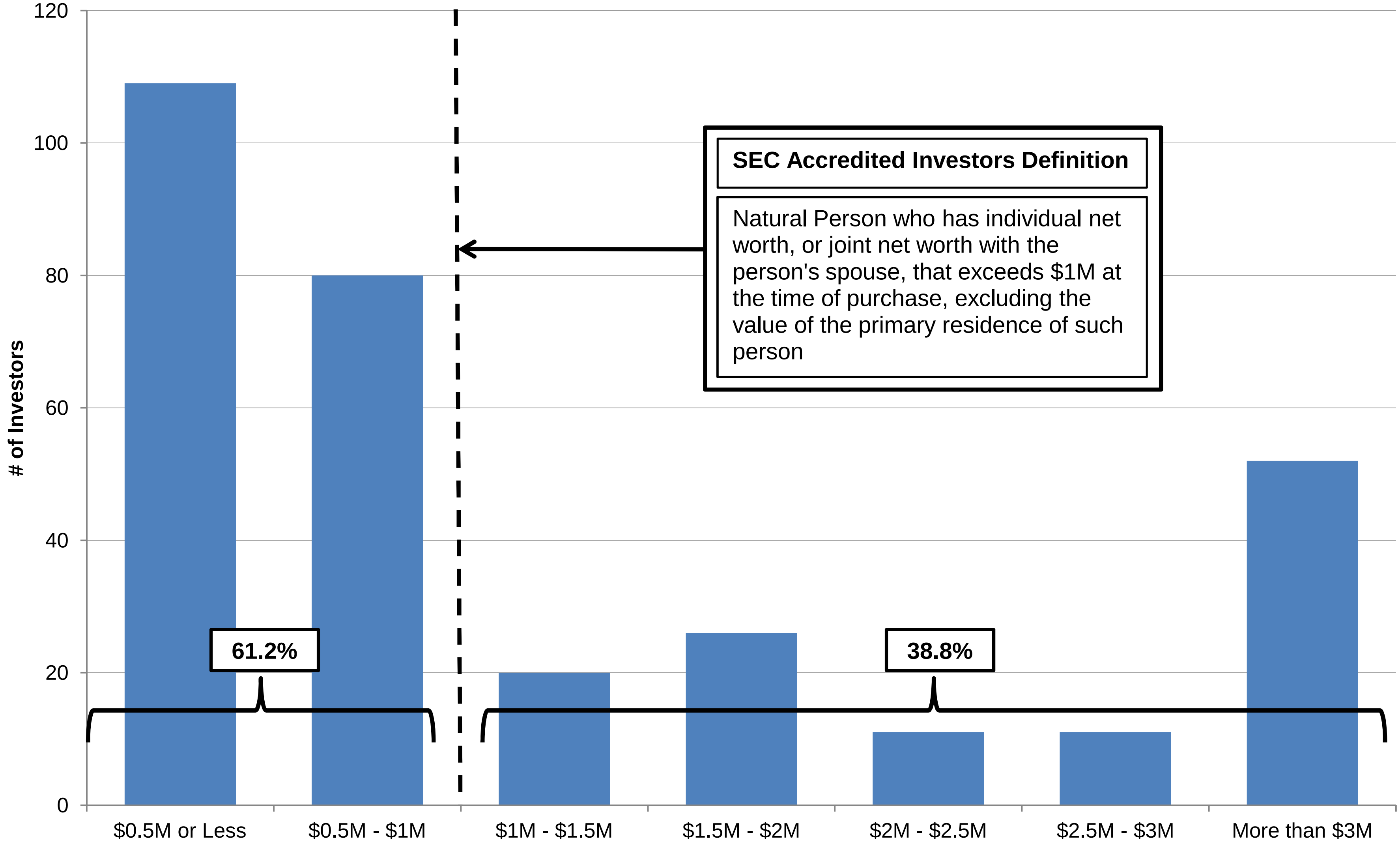
Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52520W515, n= 75



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

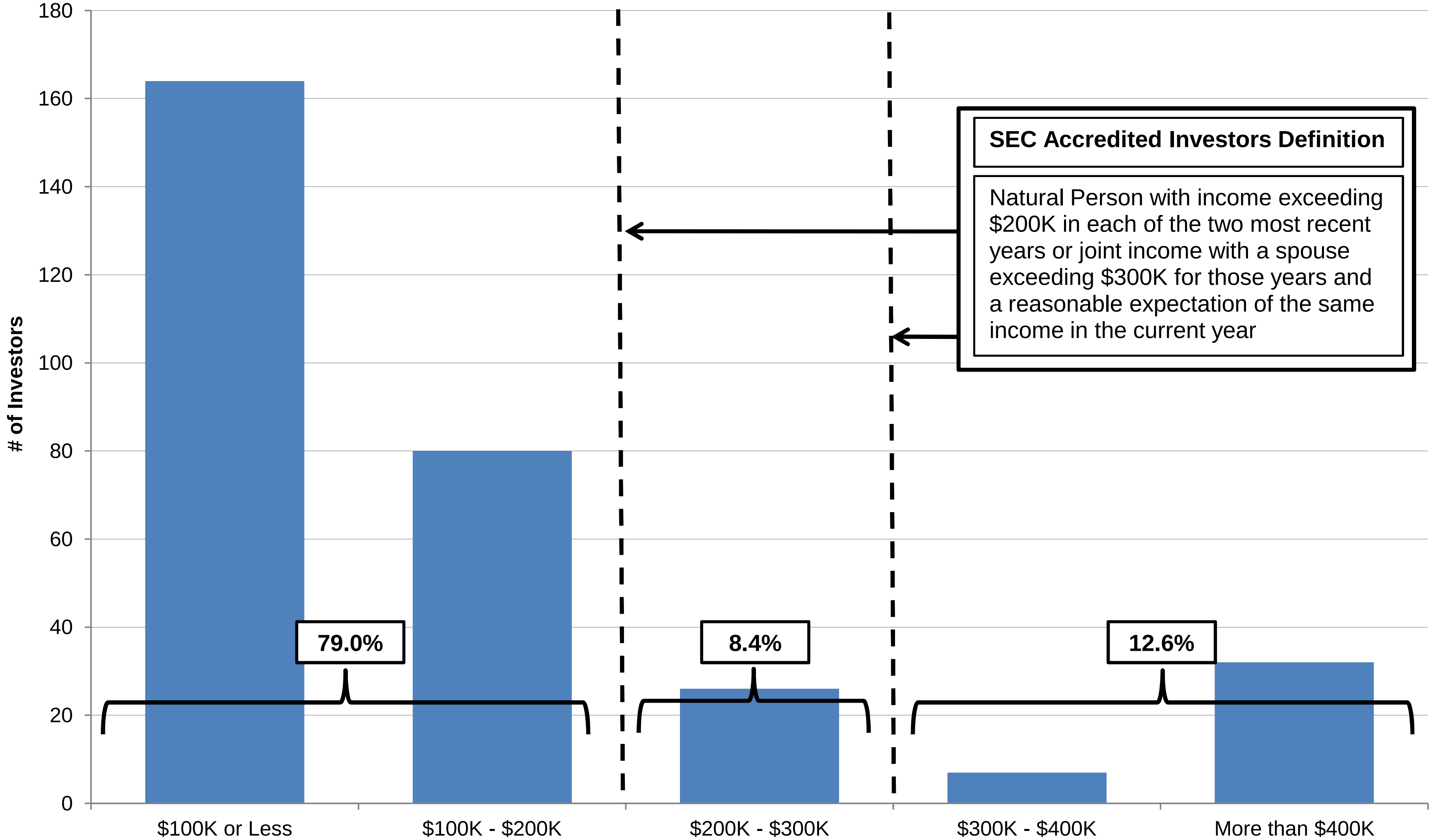
Appendix E: Net Worth of Natural Person Putative Class Member Investors

CUSIP 52520W515, n= 309



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52520W515, n= 309

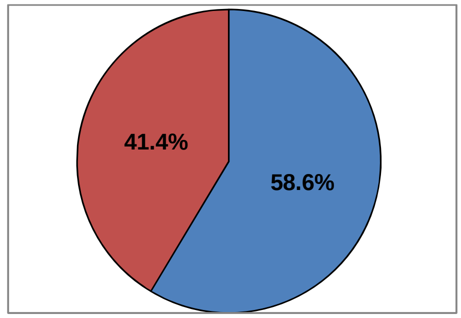


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

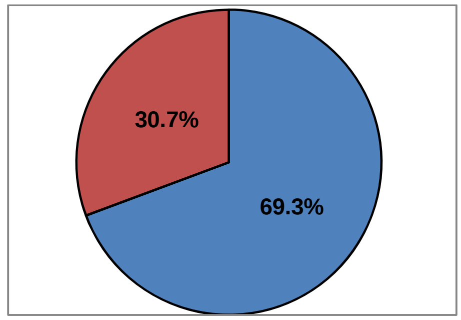
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52520W515

Accredited Unaccredited

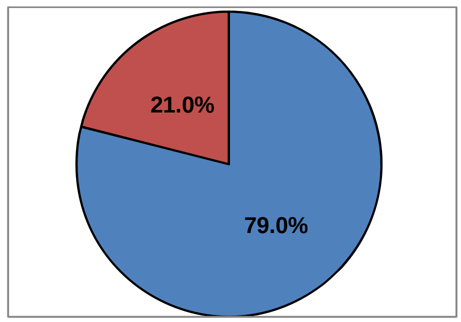
All Investors, n= 384



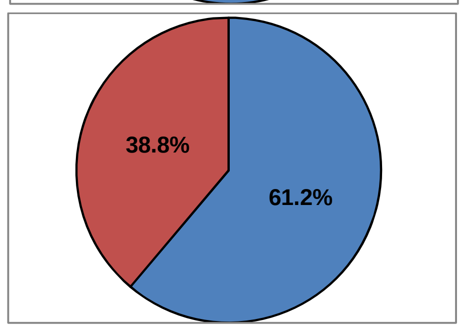
Non-Person Investors, n= 75



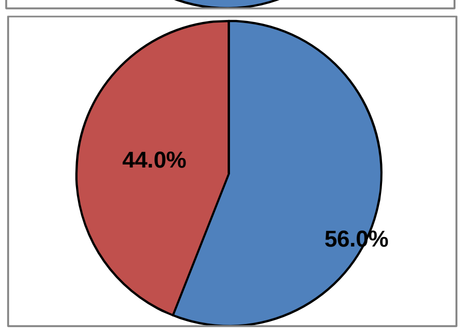
Person Investors Based on Income, n= 309



Person Investors Based on Net Worth, n= 309

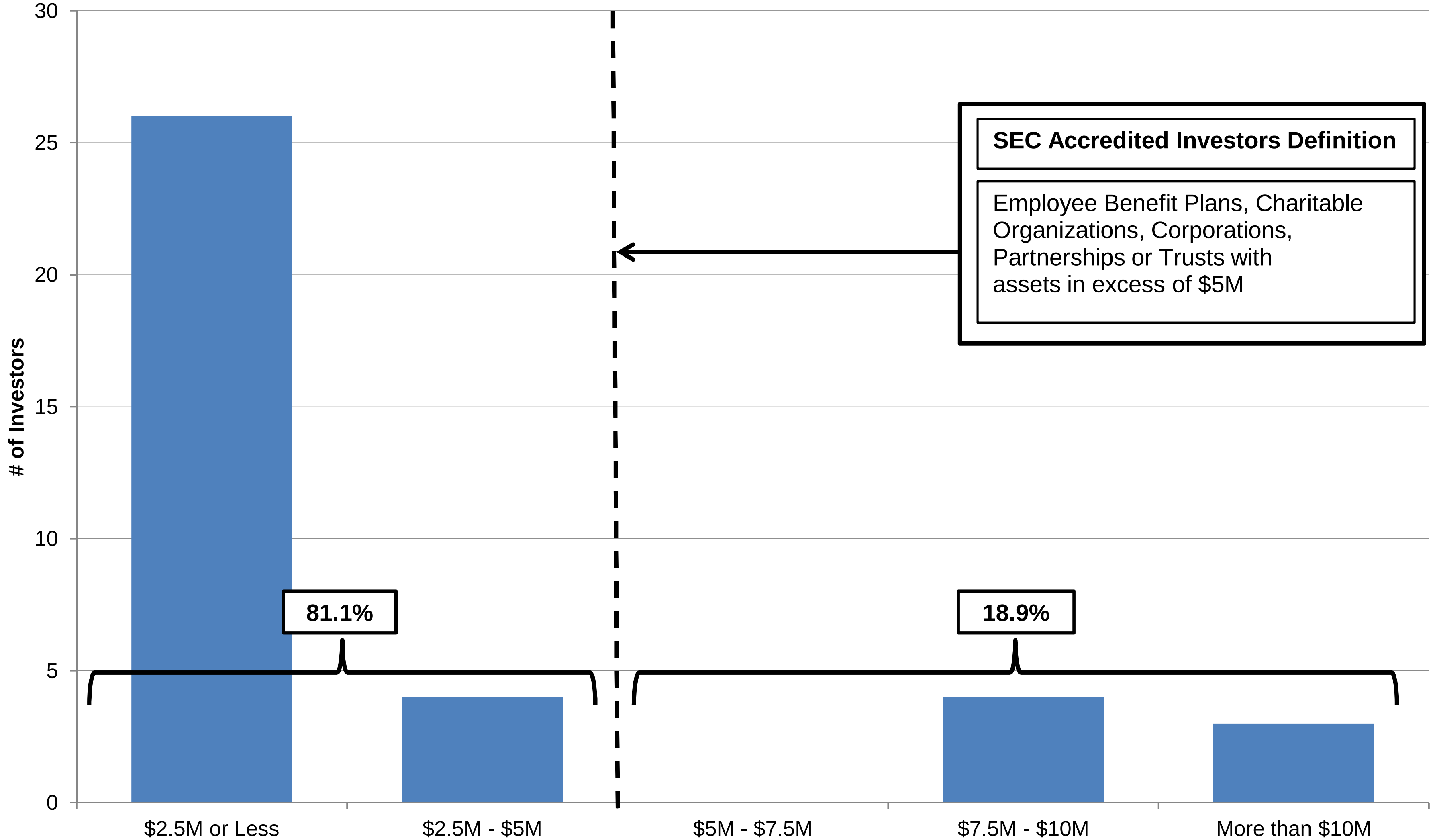


Person Investors Based on Income and Net Worth, n= 309



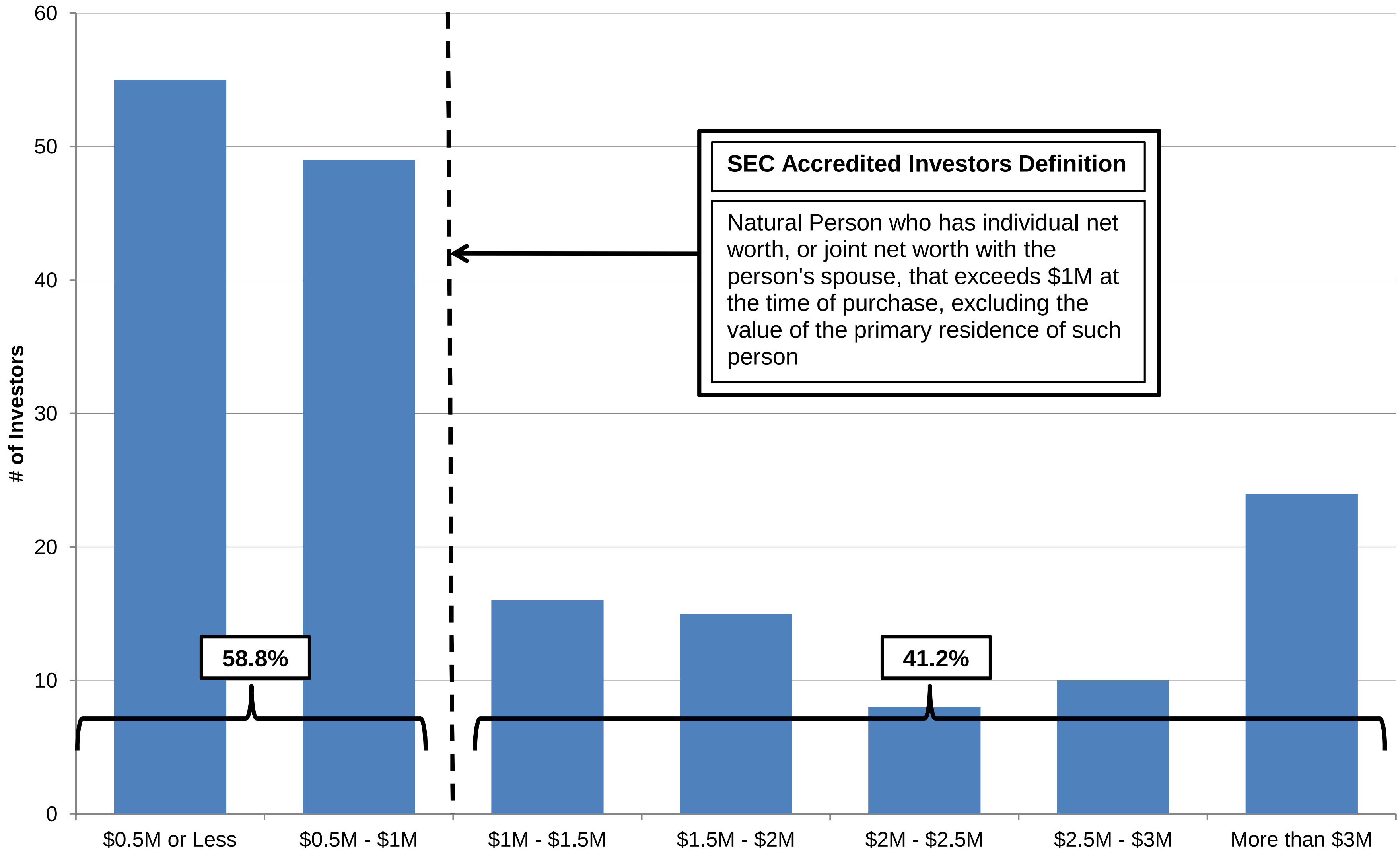
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L186, n= 37



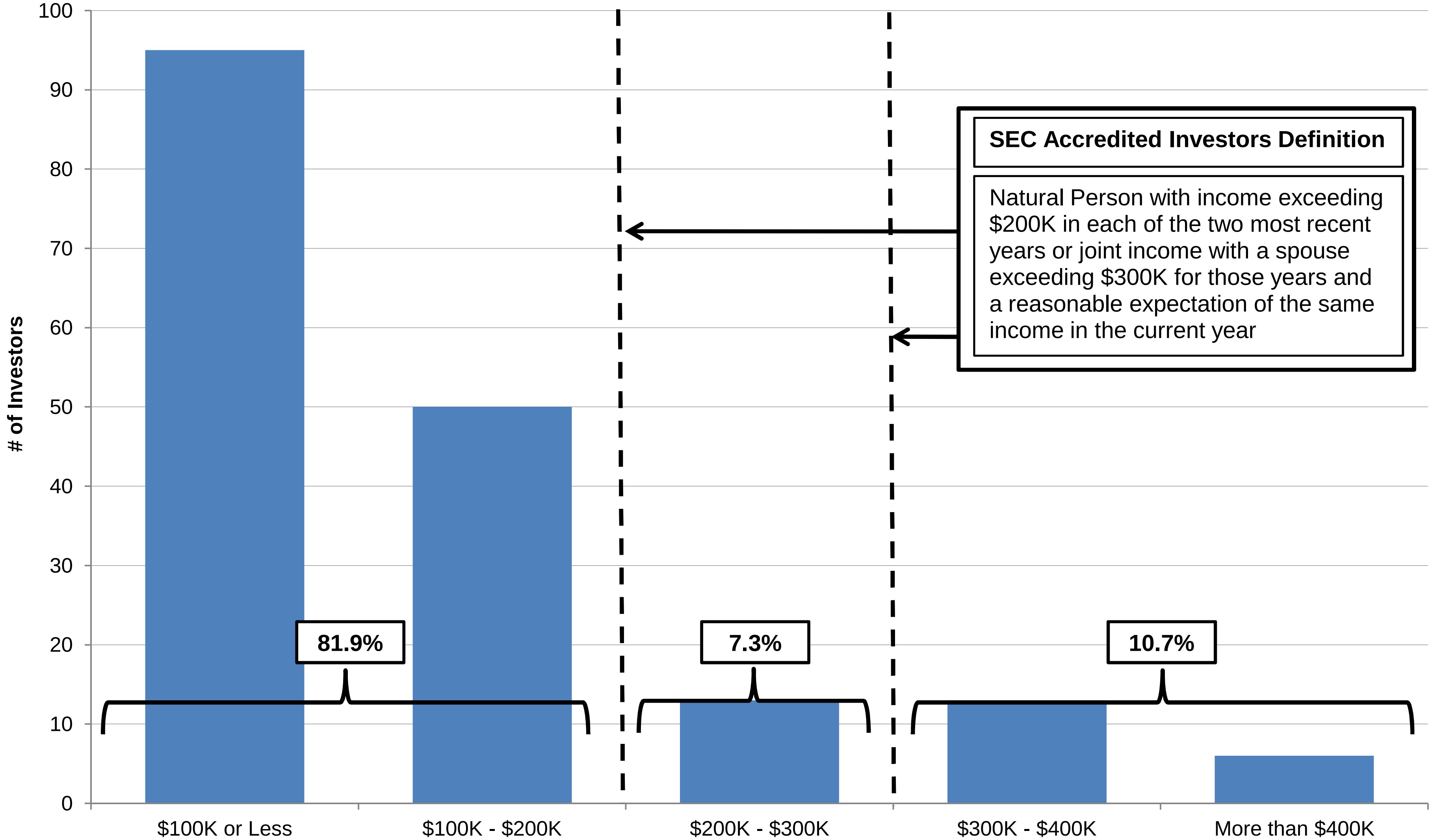
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L186, n= 177



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L186, n= 177

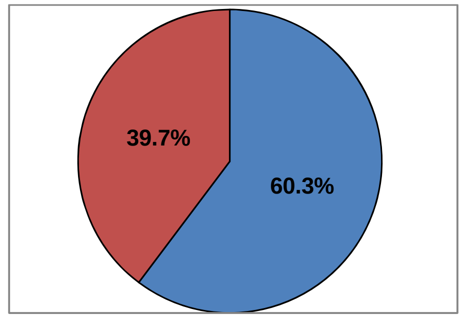


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

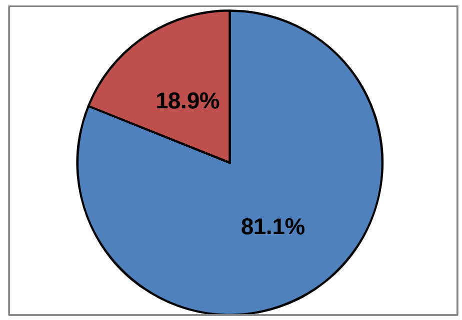
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L186

Accredited Unaccredited

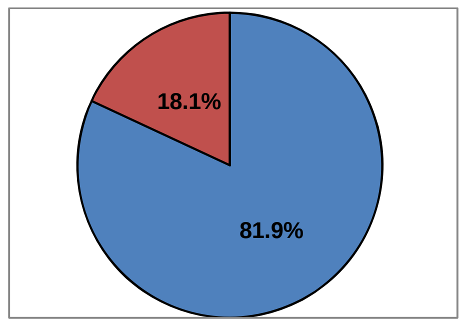
All Investors, n= 214



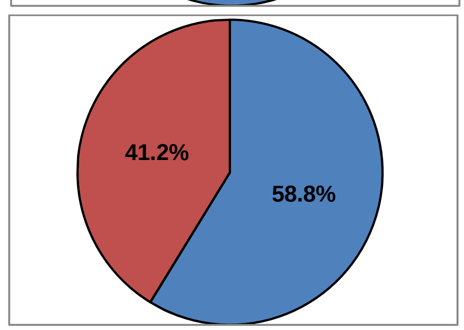
Non-Person Investors, n= 37



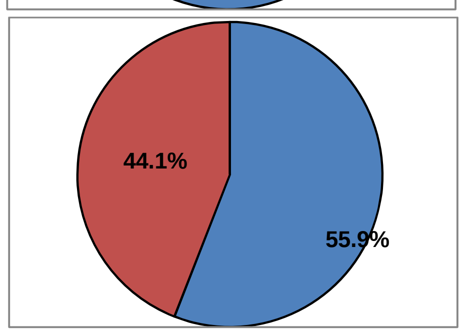
Person Investors Based on Income, n= 177



Person Investors Based on Net Worth, n= 177

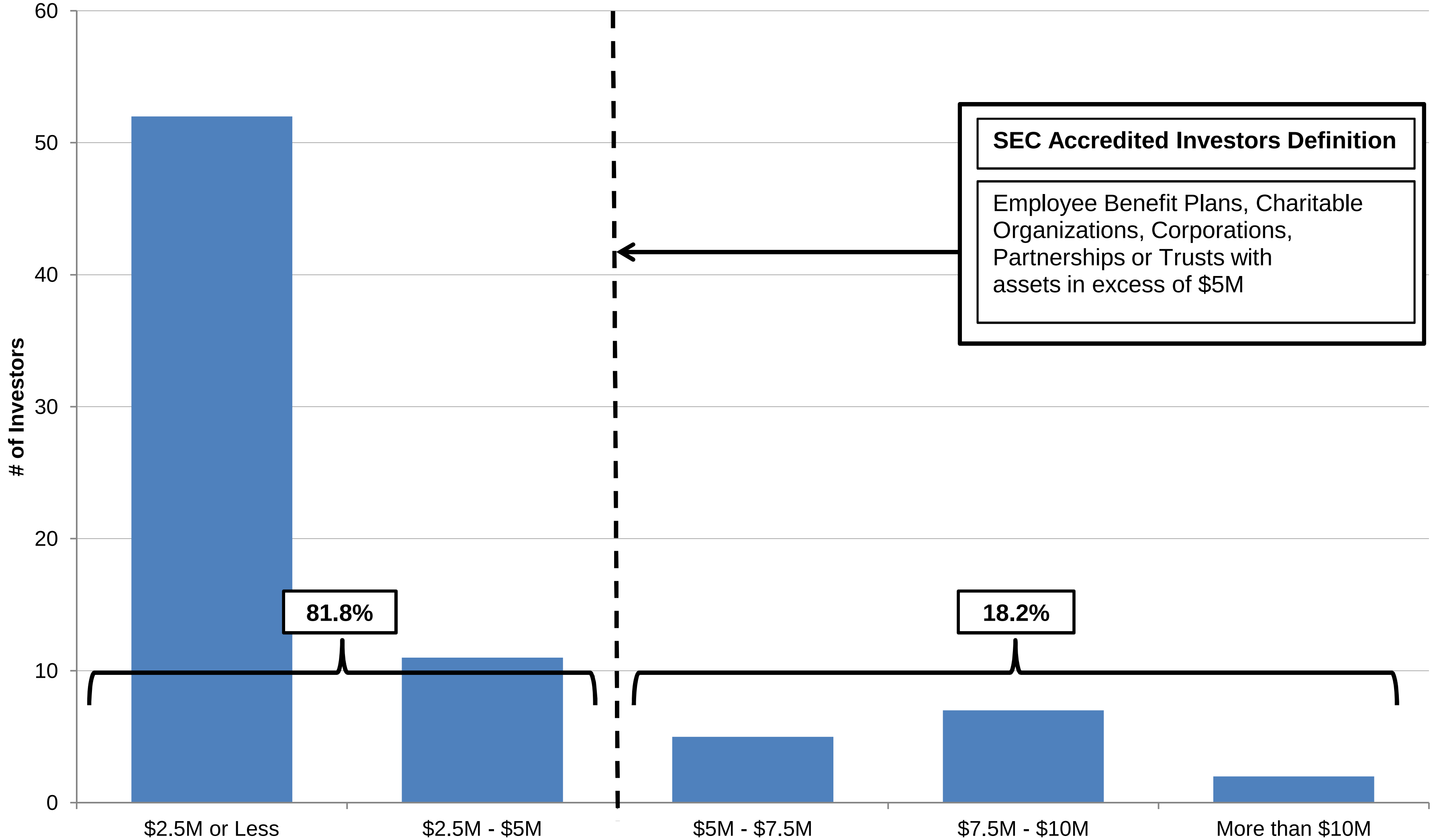


Person Investors Based on Income and Net Worth, n= 177



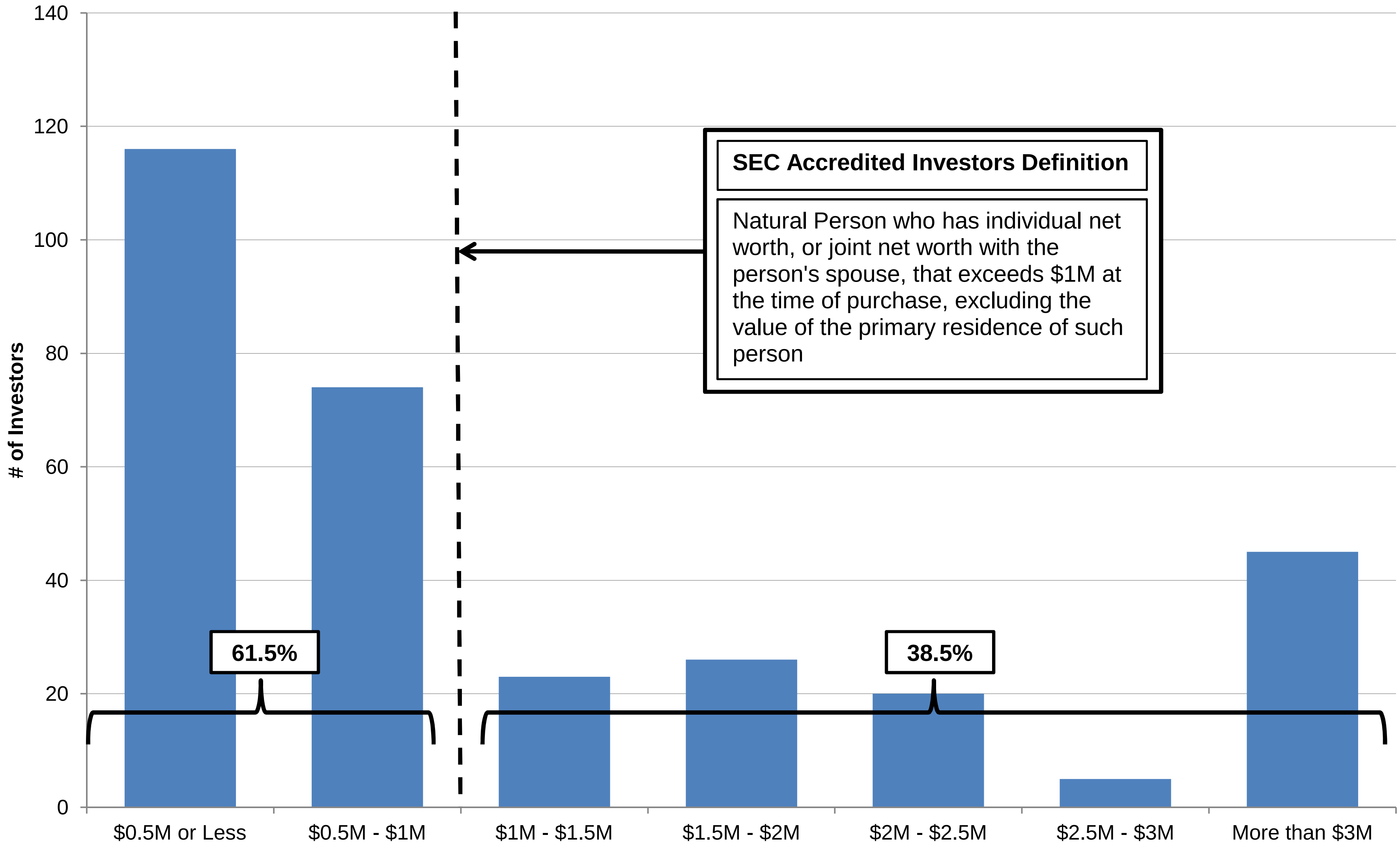
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L244, n= 77



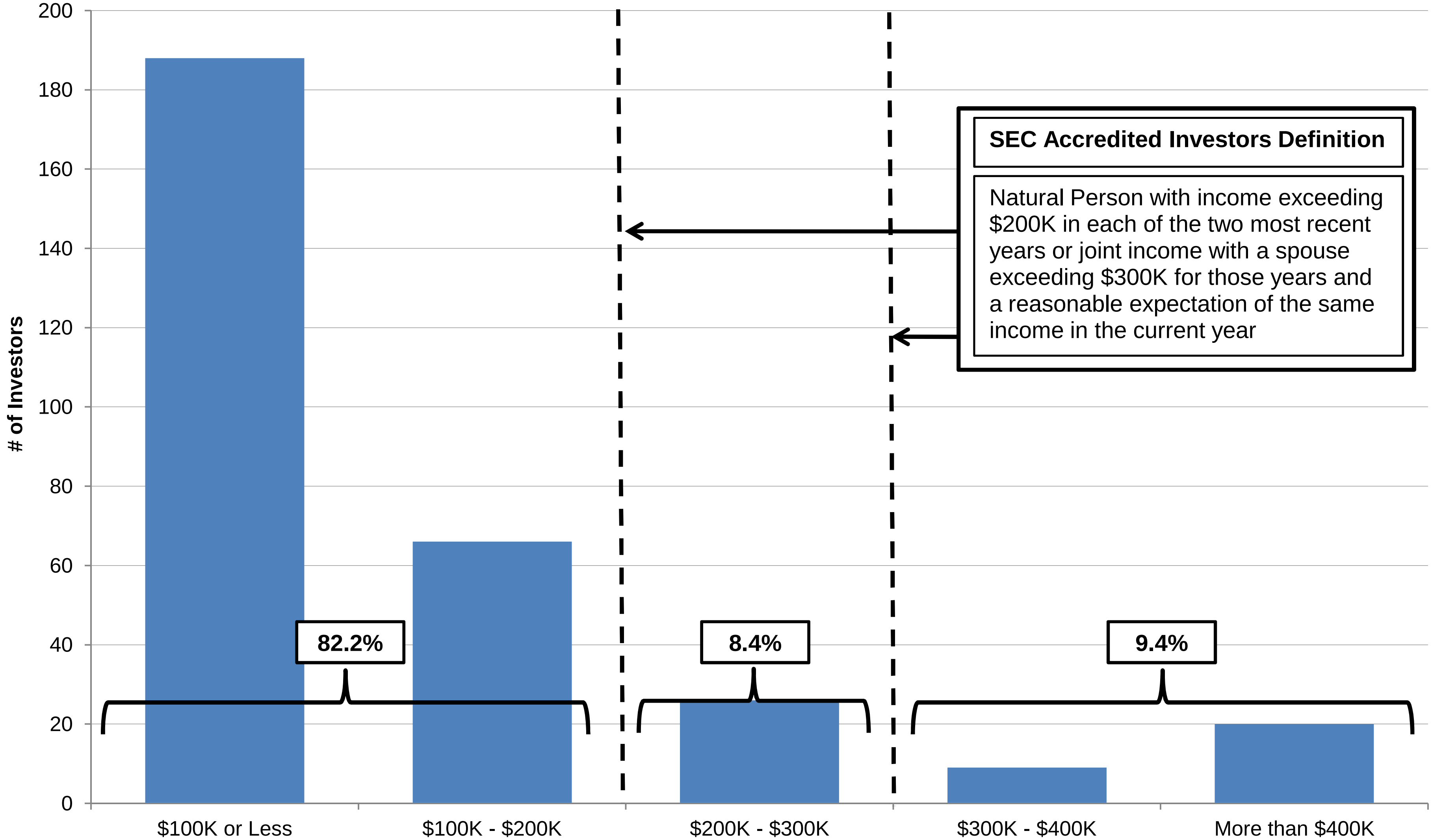
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L244, n= 309



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L244, n= 309

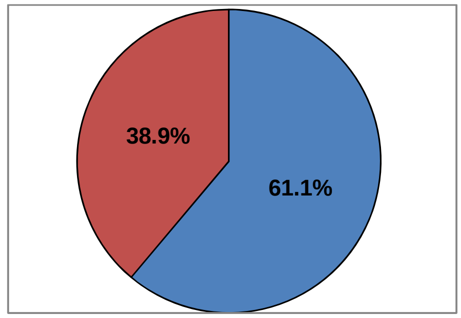


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

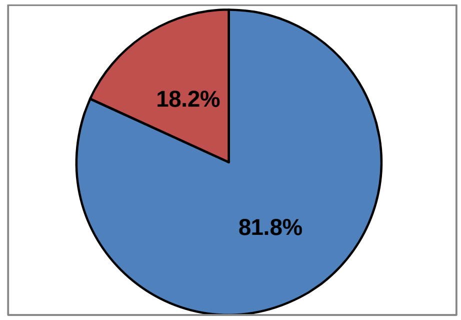
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L244

Accredited Unaccredited

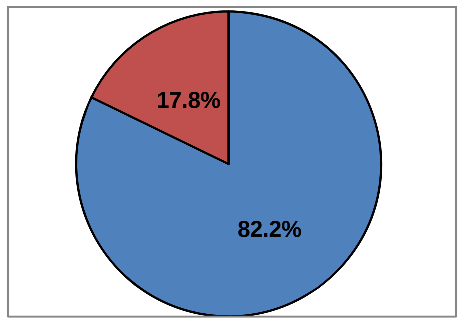
All Investors, n= 386



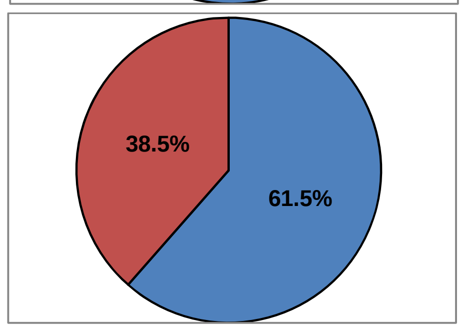
Non-Person Investors, n= 77



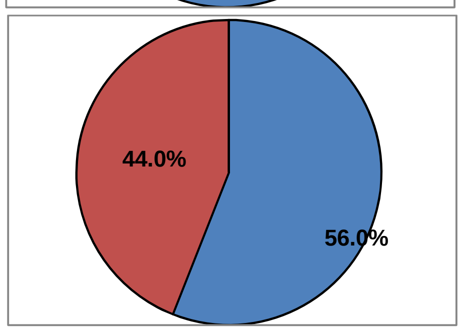
Person Investors Based on Income, n= 309



Person Investors Based on Net Worth, n= 309

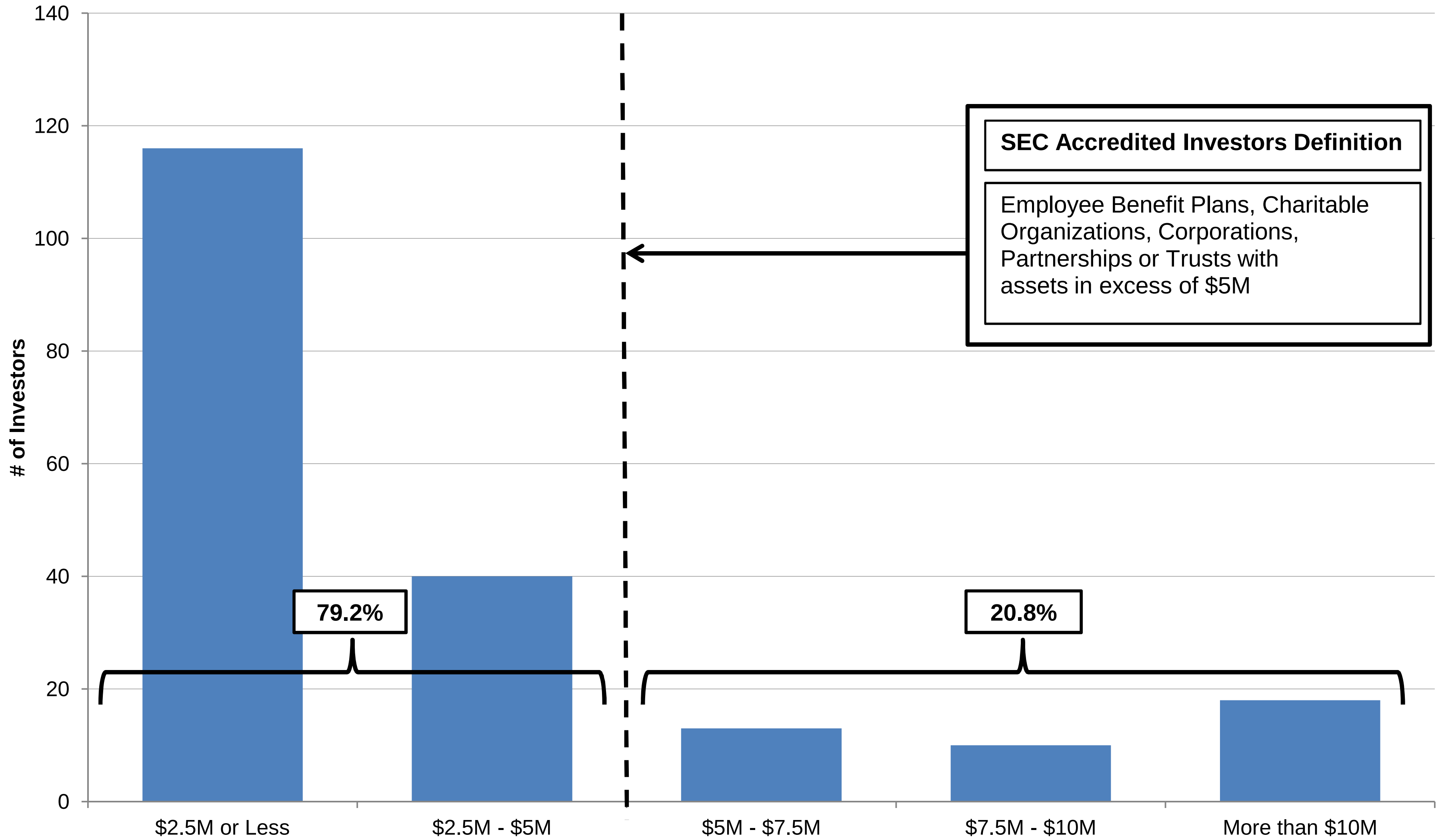


Person Investors Based on Income and Net Worth, n= 309



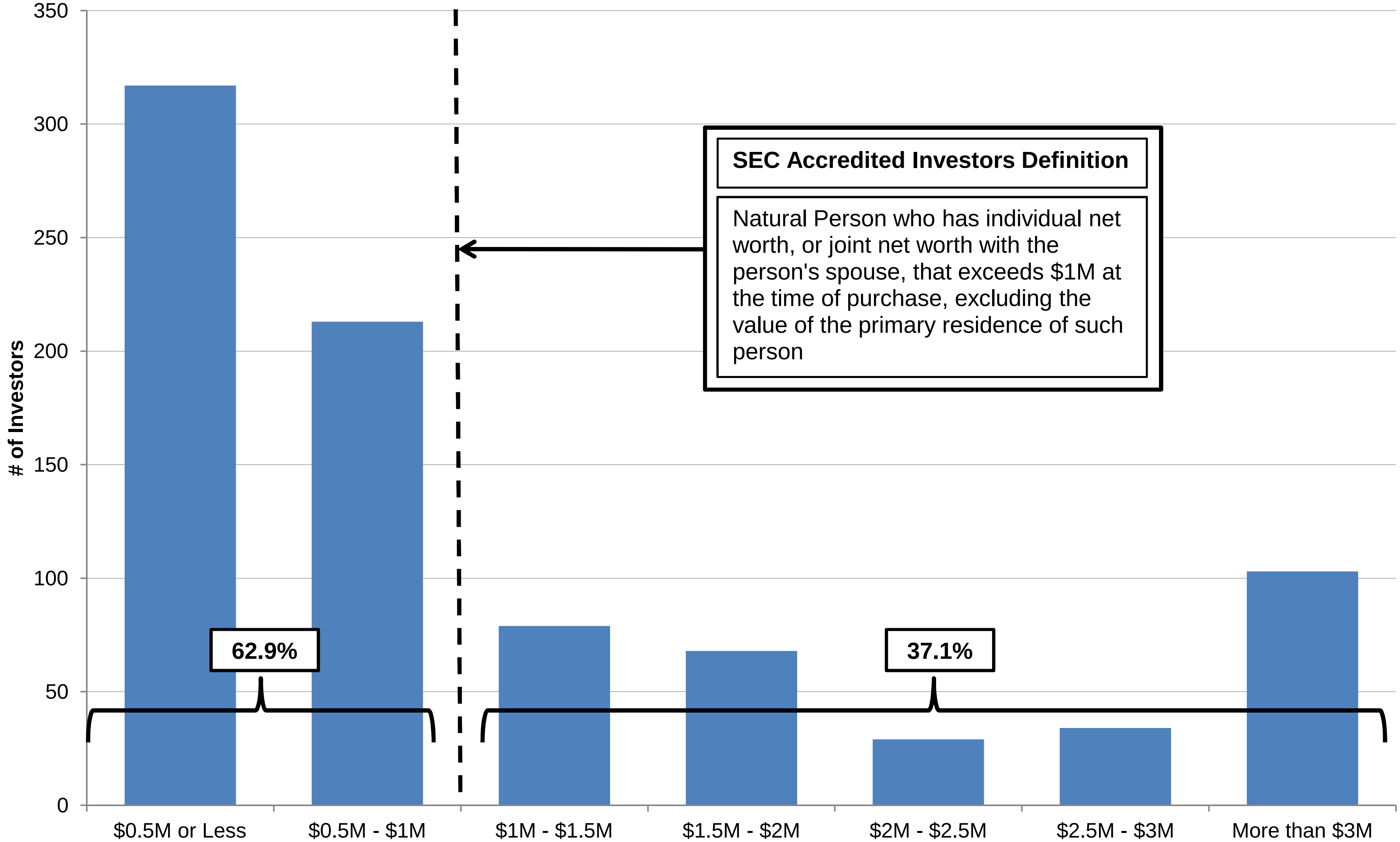
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L293, n= 197



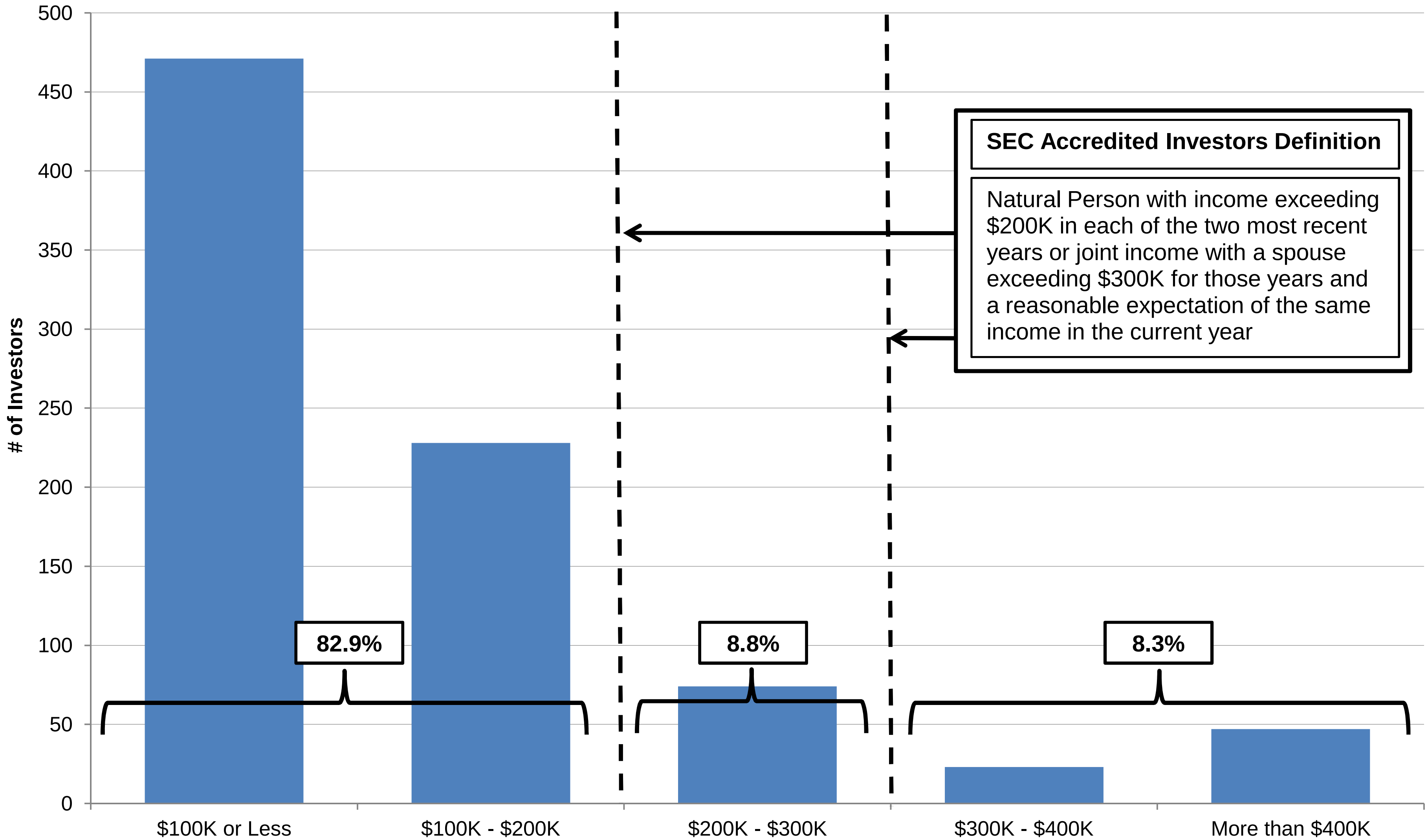
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L293, n= 843



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L293, n= 843

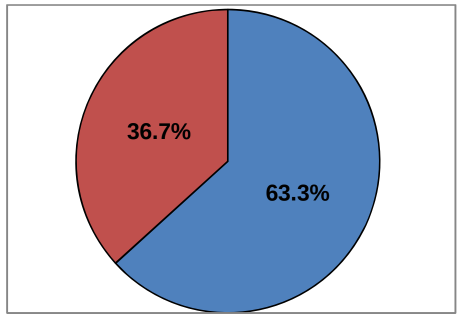


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

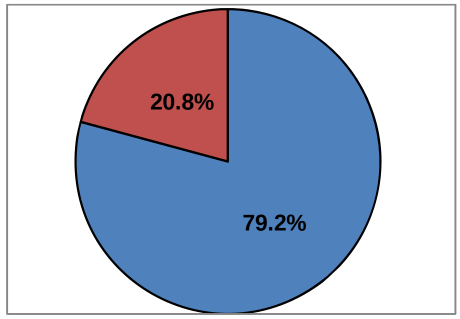
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L293

Accredited Unaccredited

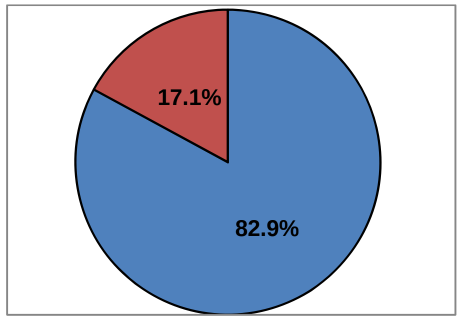
All Investors, n= 1040



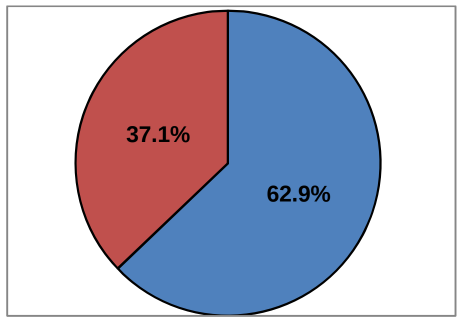
Non-Person Investors, n= 197



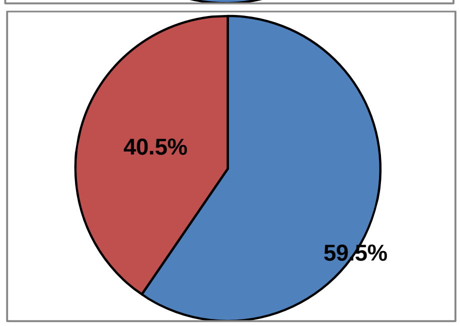
Person Investors Based on Income, n= 843



Person Investors Based on Net Worth, n= 843

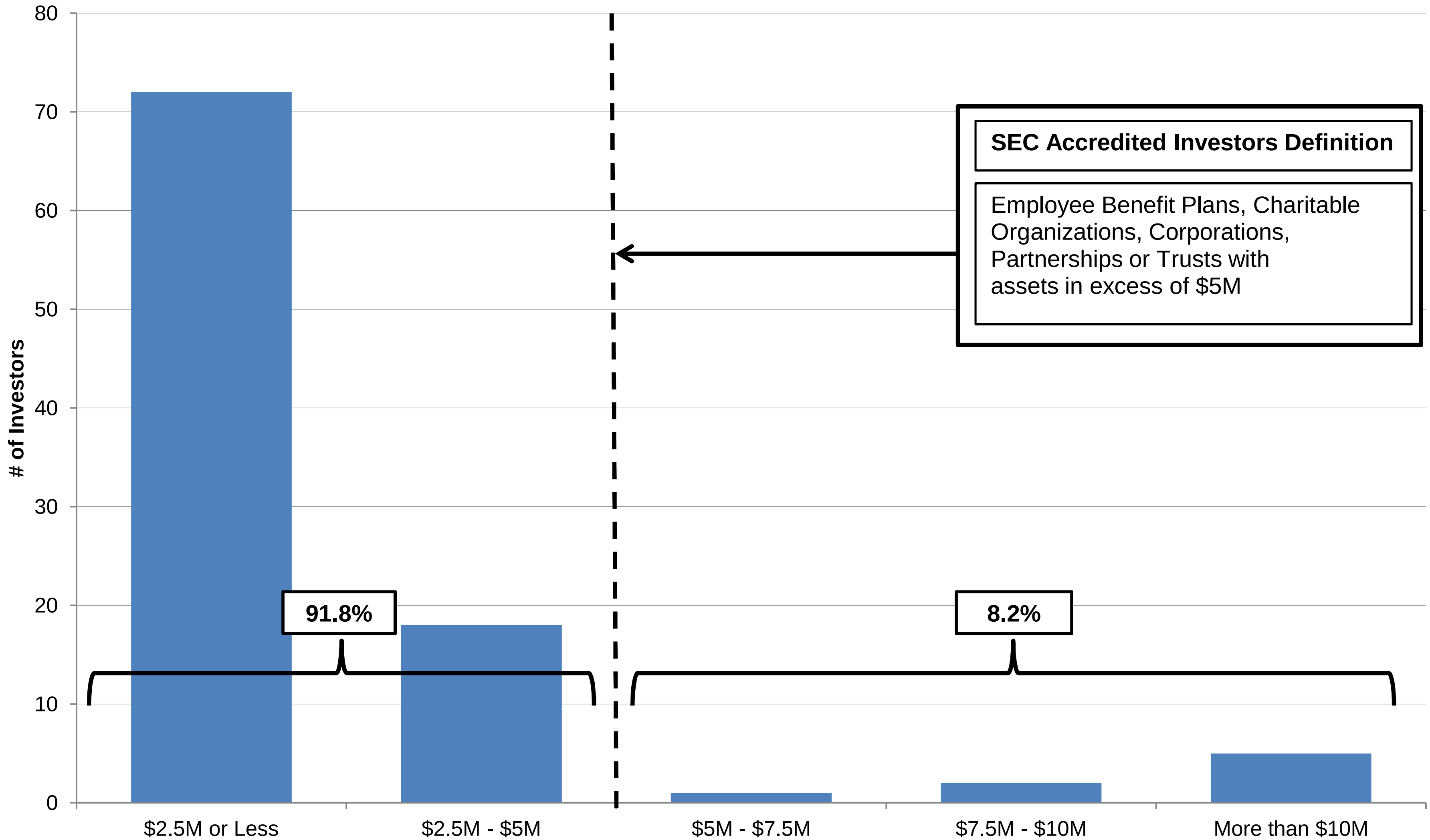


Person Investors Based on Income and Net Worth, n= 843



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

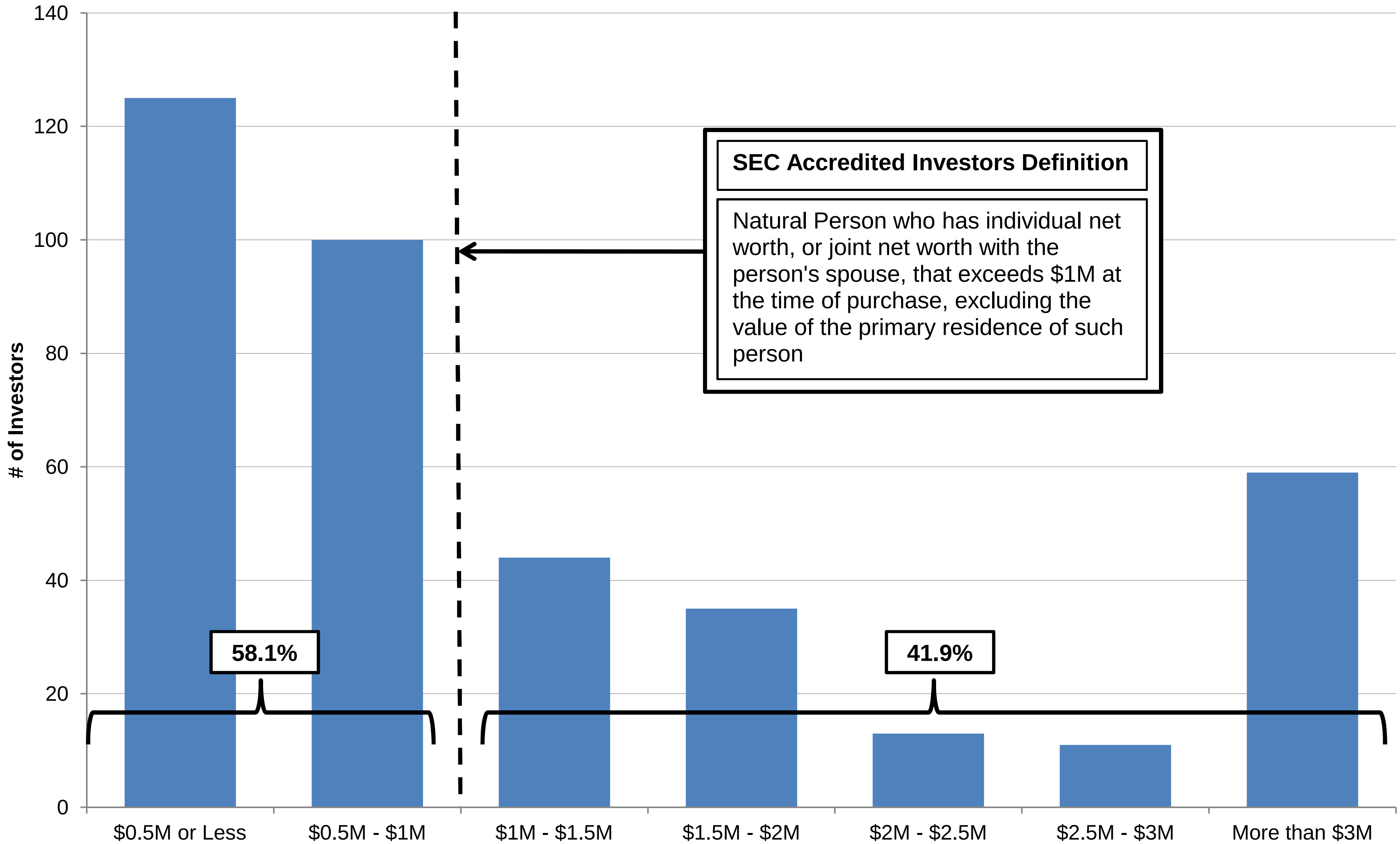
Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L319, n= 98



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

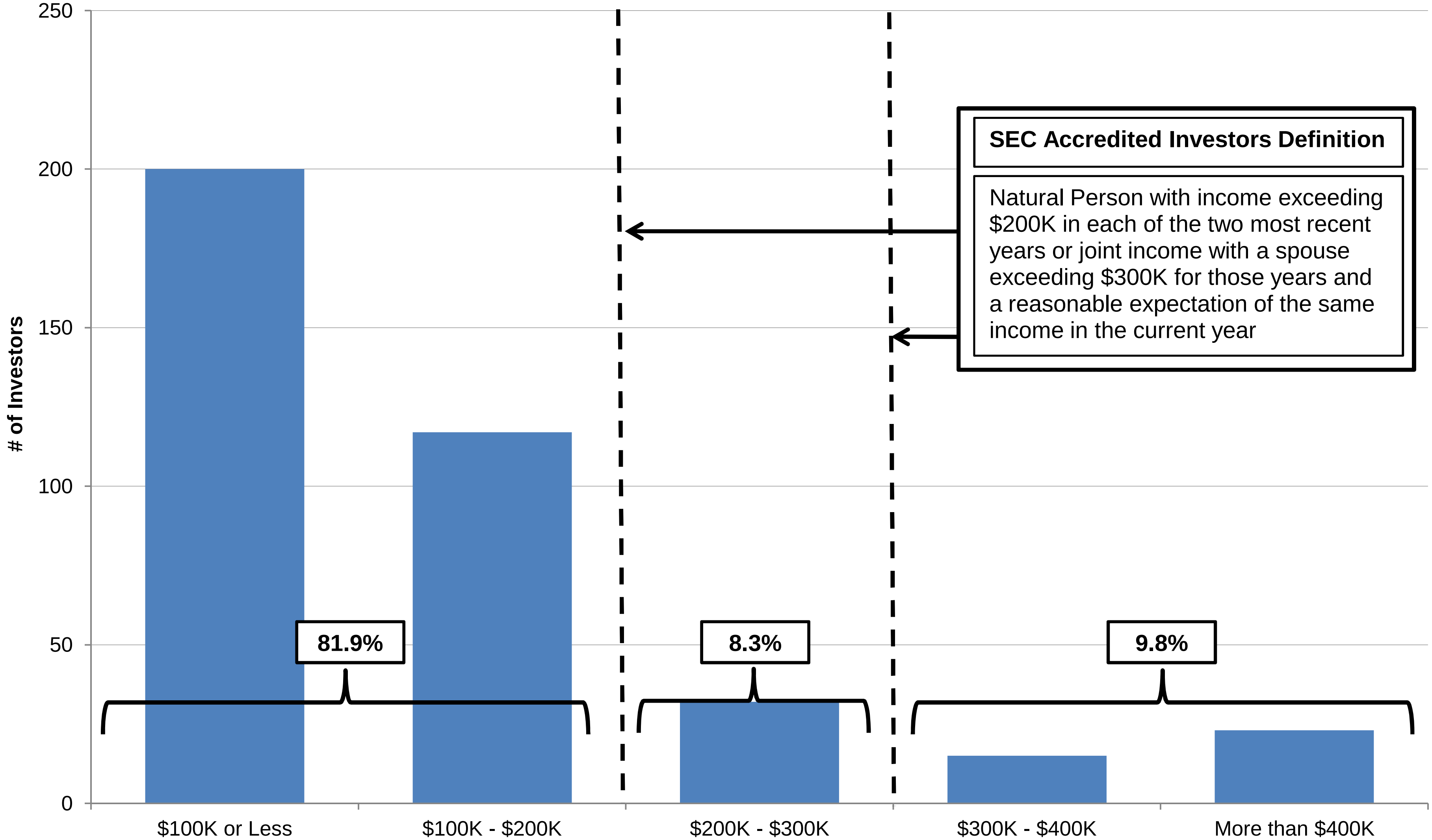
Appendix E: Net Worth of Natural Person Putative Class Member Investors

CUSIP 52522L319, n= 387



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L319, n= 387

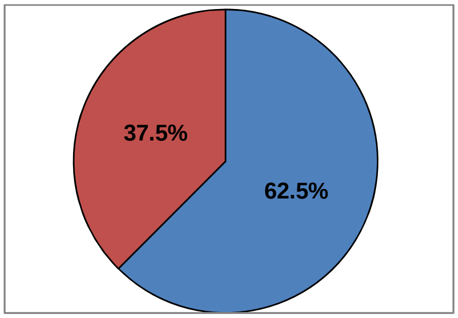


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

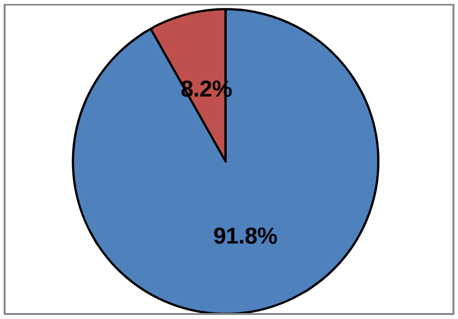
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L319

Accredited Unaccredited

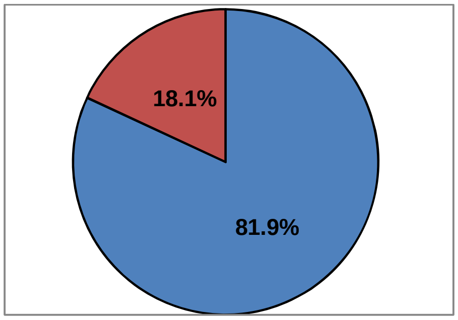
All Investors, n= 485



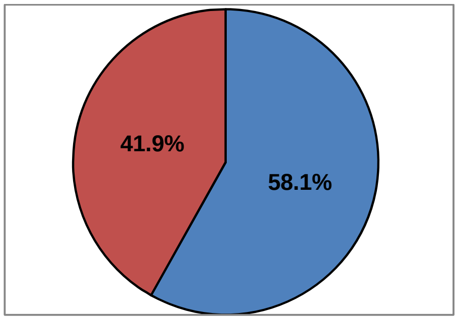
Non-Person Investors, n= 98



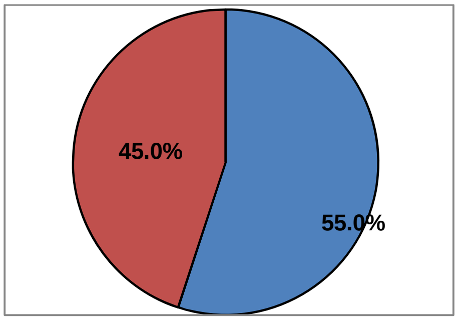
Person Investors Based on Income, n= 387



Person Investors Based on Net Worth, n= 387

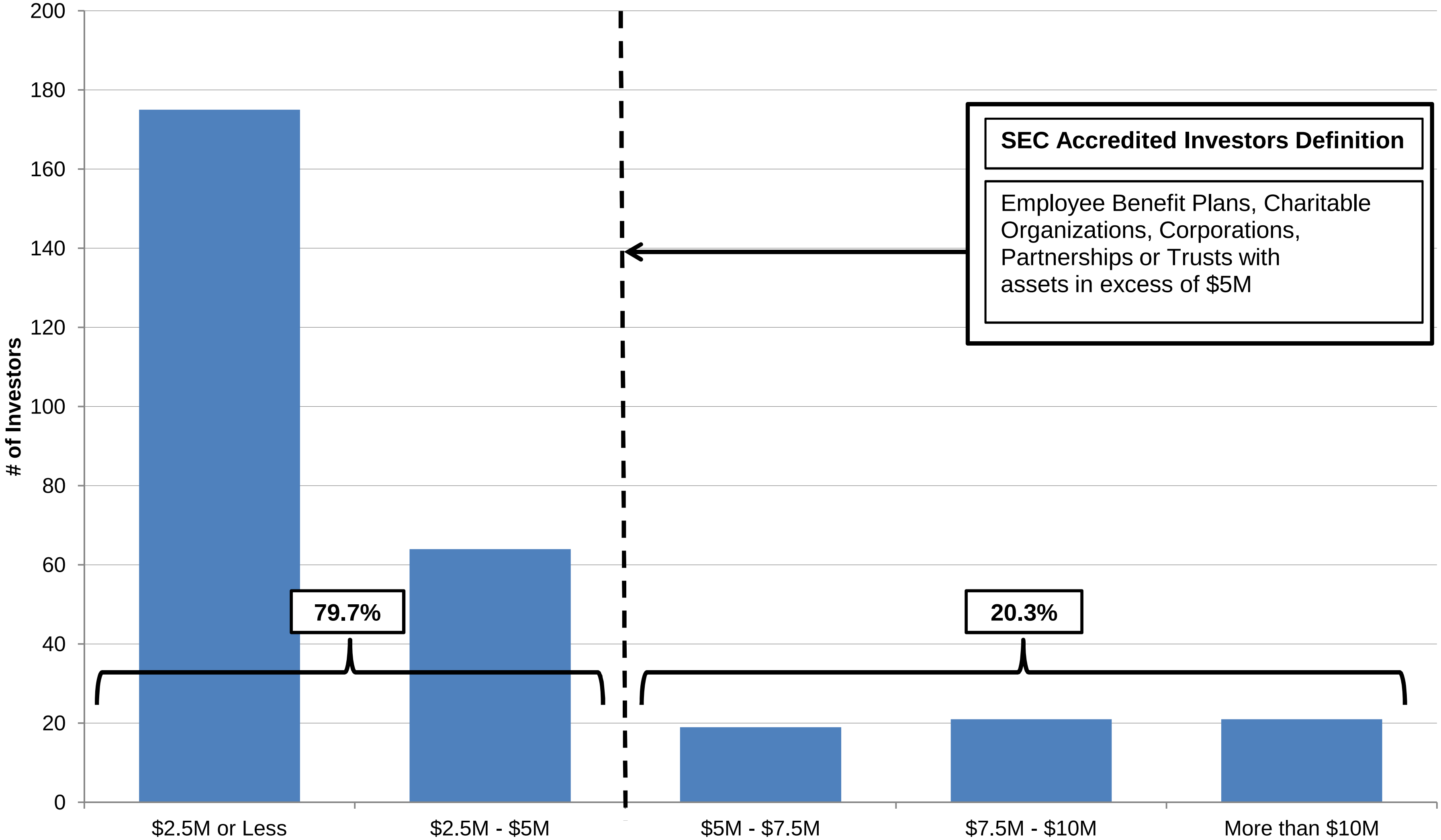


Person Investors Based on Income and Net Worth, n= 387



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

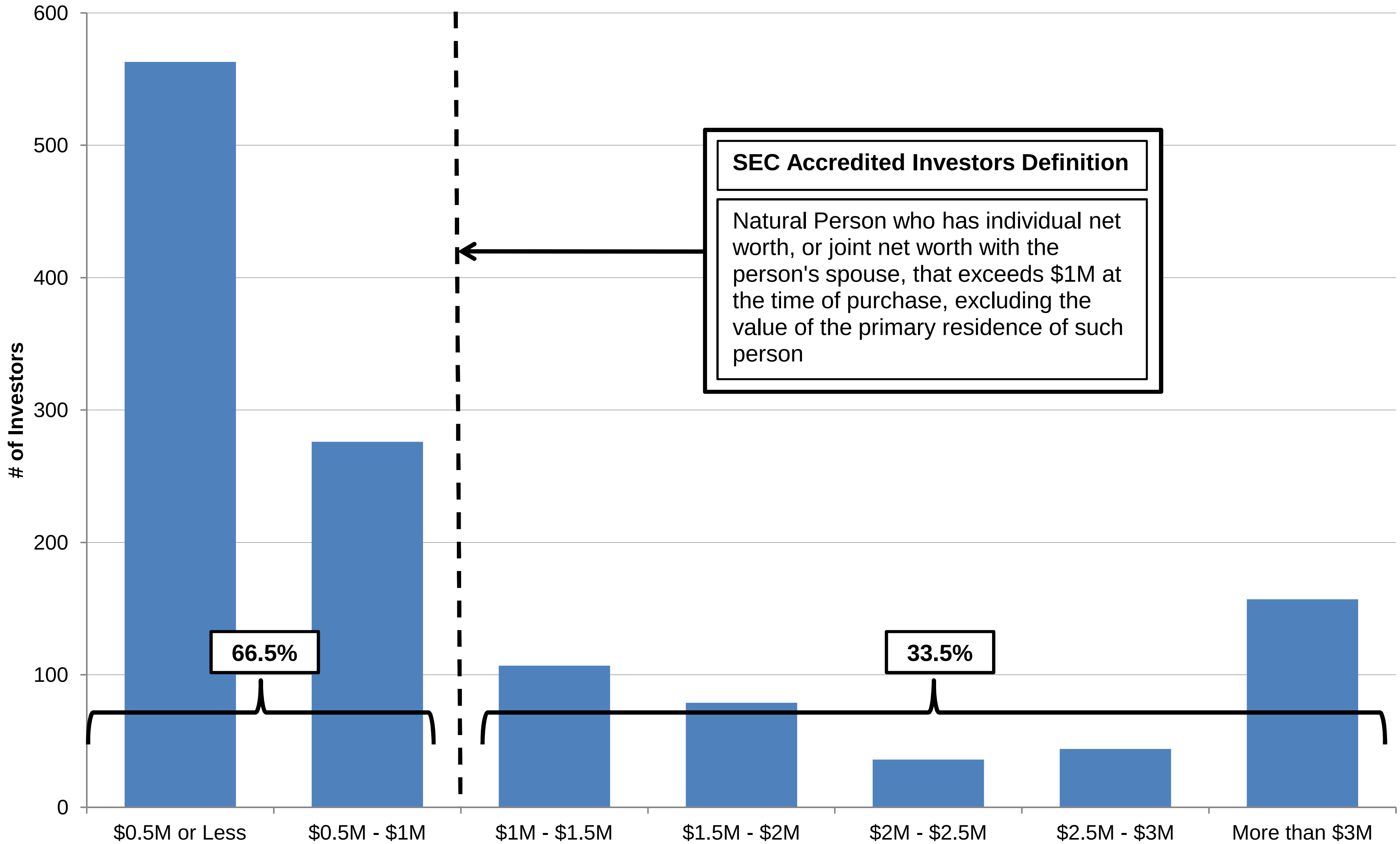
Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L335, n= 300



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

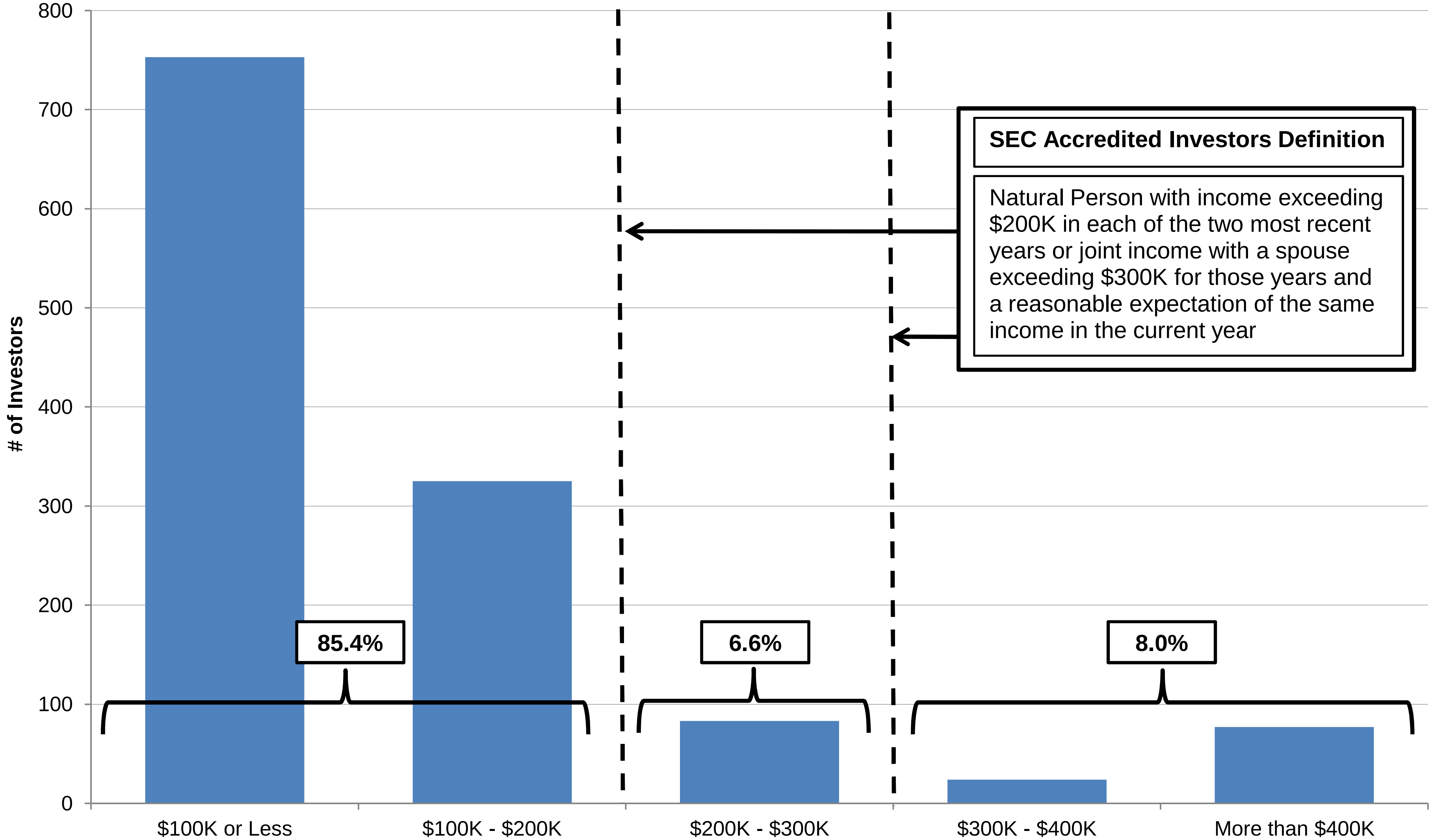
Appendix E: Net Worth of Natural Person Putative Class Member Investors

CUSIP 52522L335, n= 1262



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L335, n= 1262

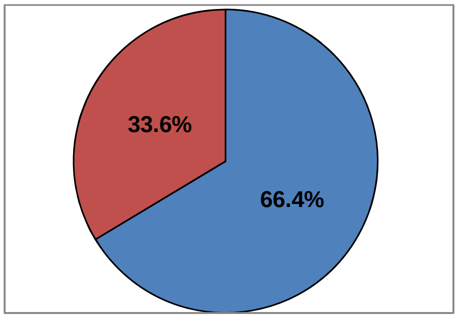


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

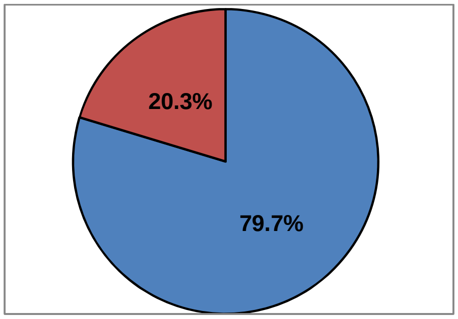
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L335

Accredited Unaccredited

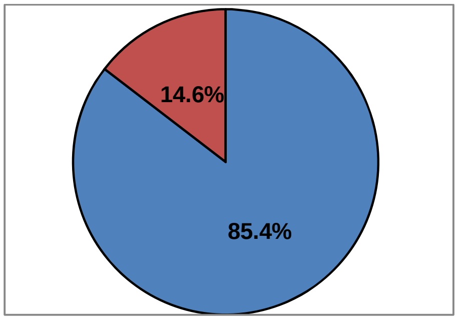
All Investors, n= 1562



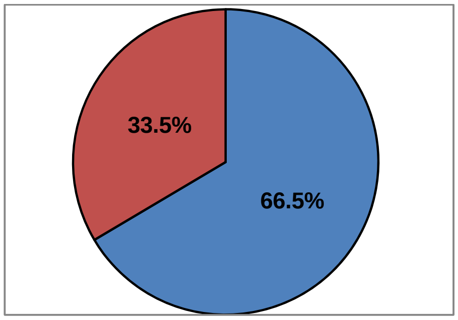
Non-Person Investors, n= 300



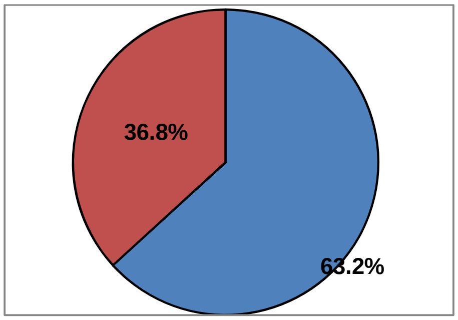
Person Investors Based on Income, n= 1262



Person Investors Based on Net Worth, n= 1262

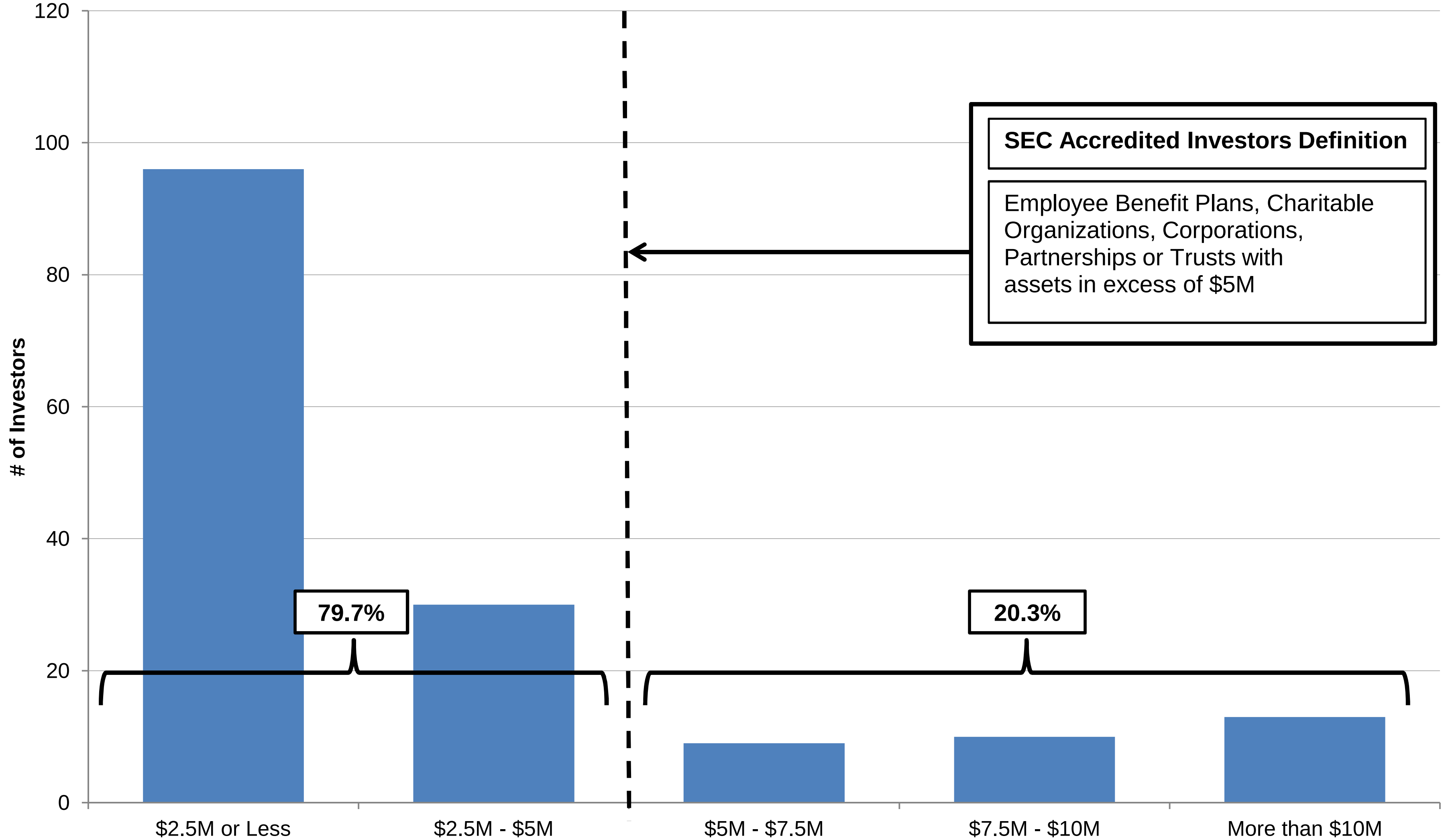


Person Investors Based on Income and Net Worth, n= 1262



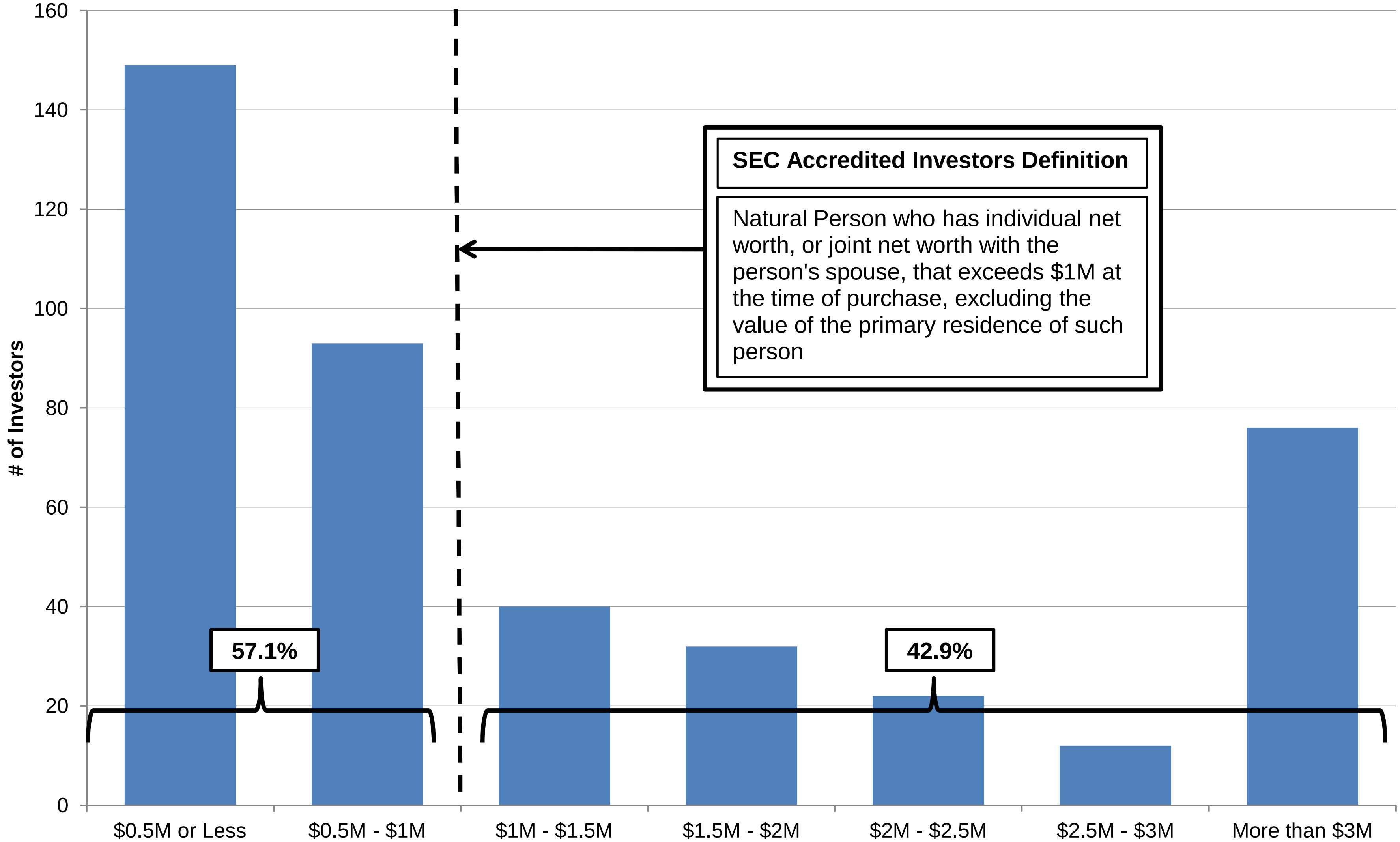
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L459, n= 158



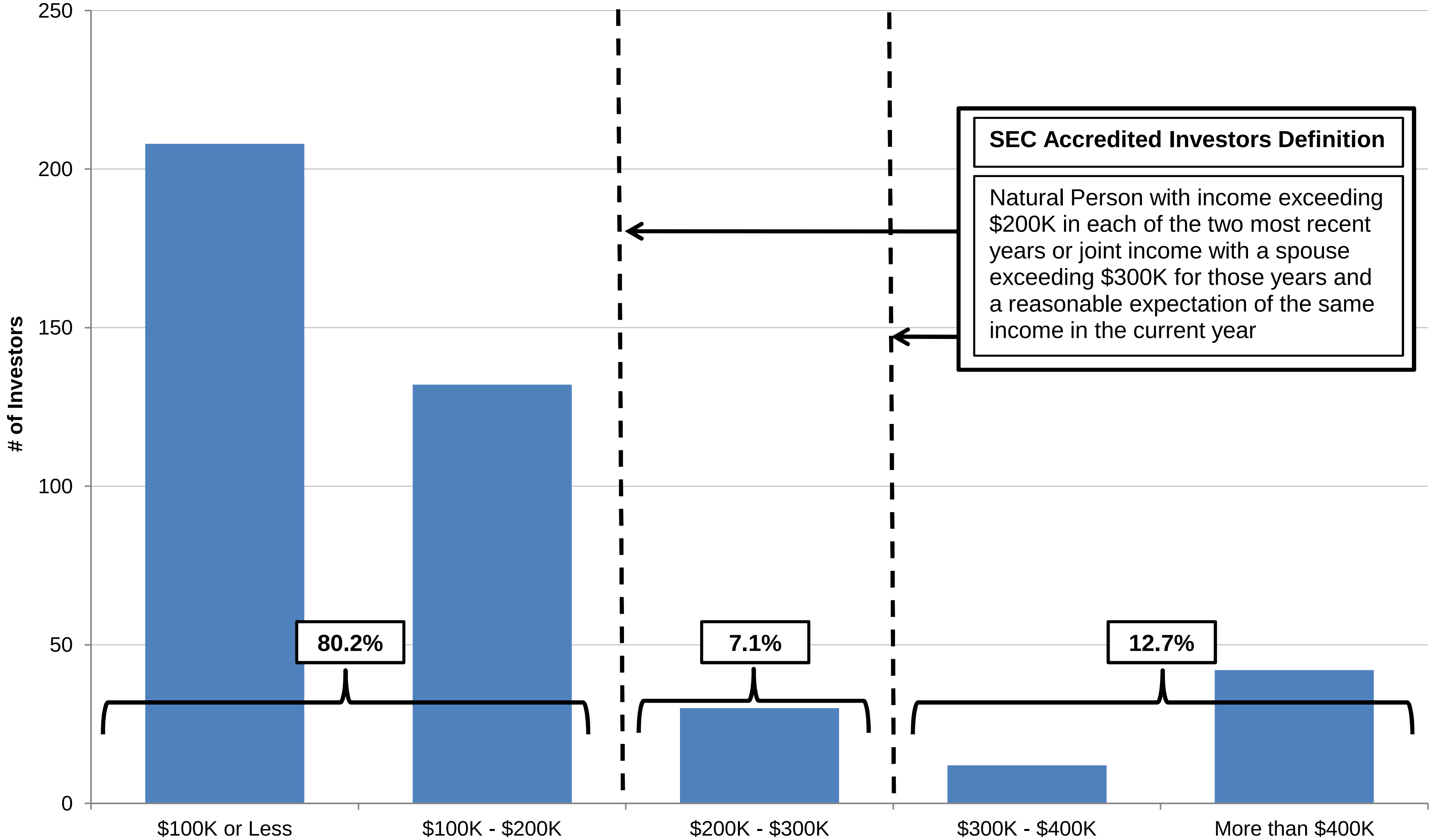
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L459, n= 424



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L459, n= 424

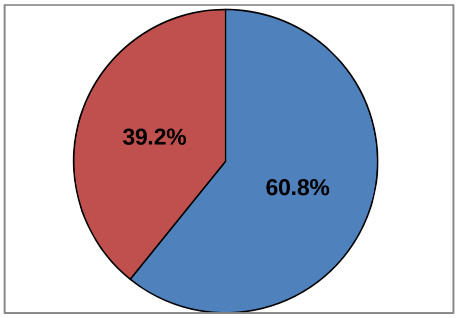


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

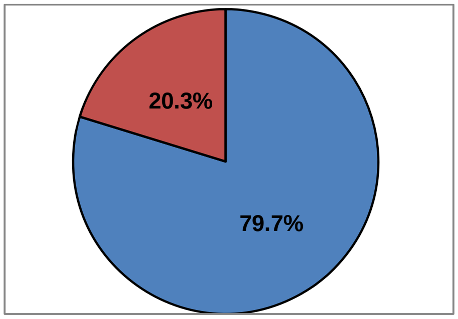
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L459

Accredited   Unaccredited

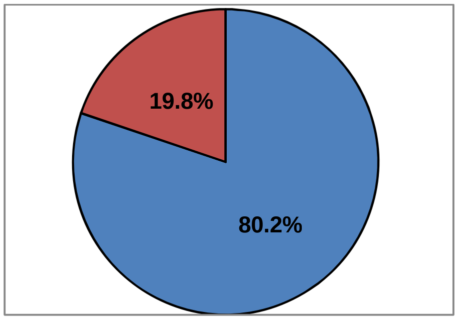
All Investors, n= 582



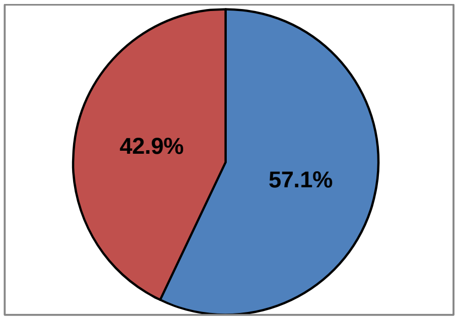
Non-Person Investors, n= 158



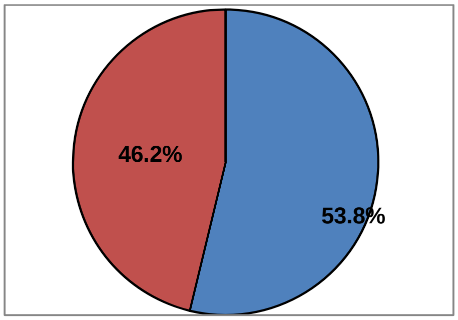
Person Investors Based on Income, n= 424



Person Investors Based on Net Worth, n= 424

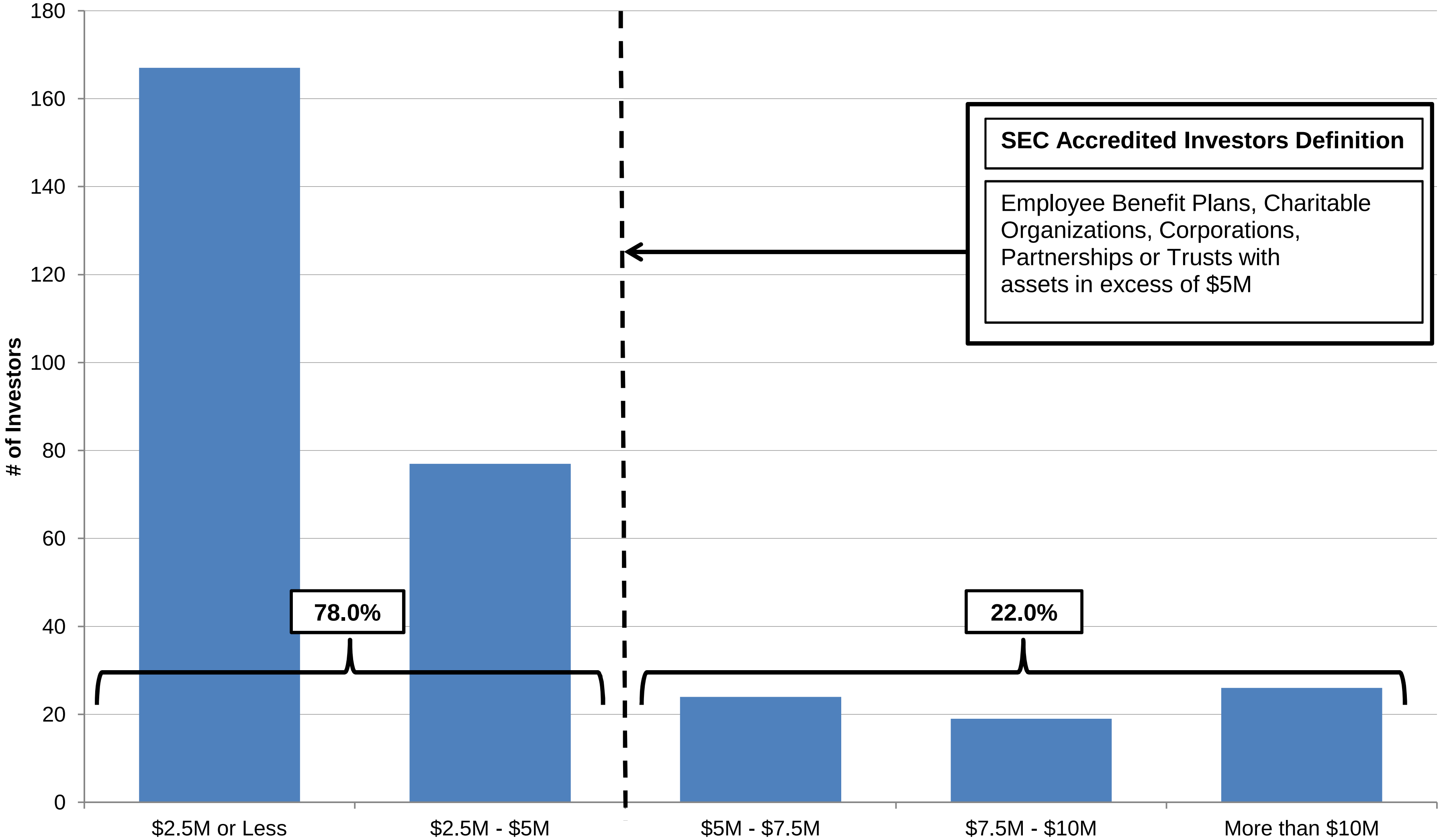


Person Investors Based on Income and Net Worth, n= 424



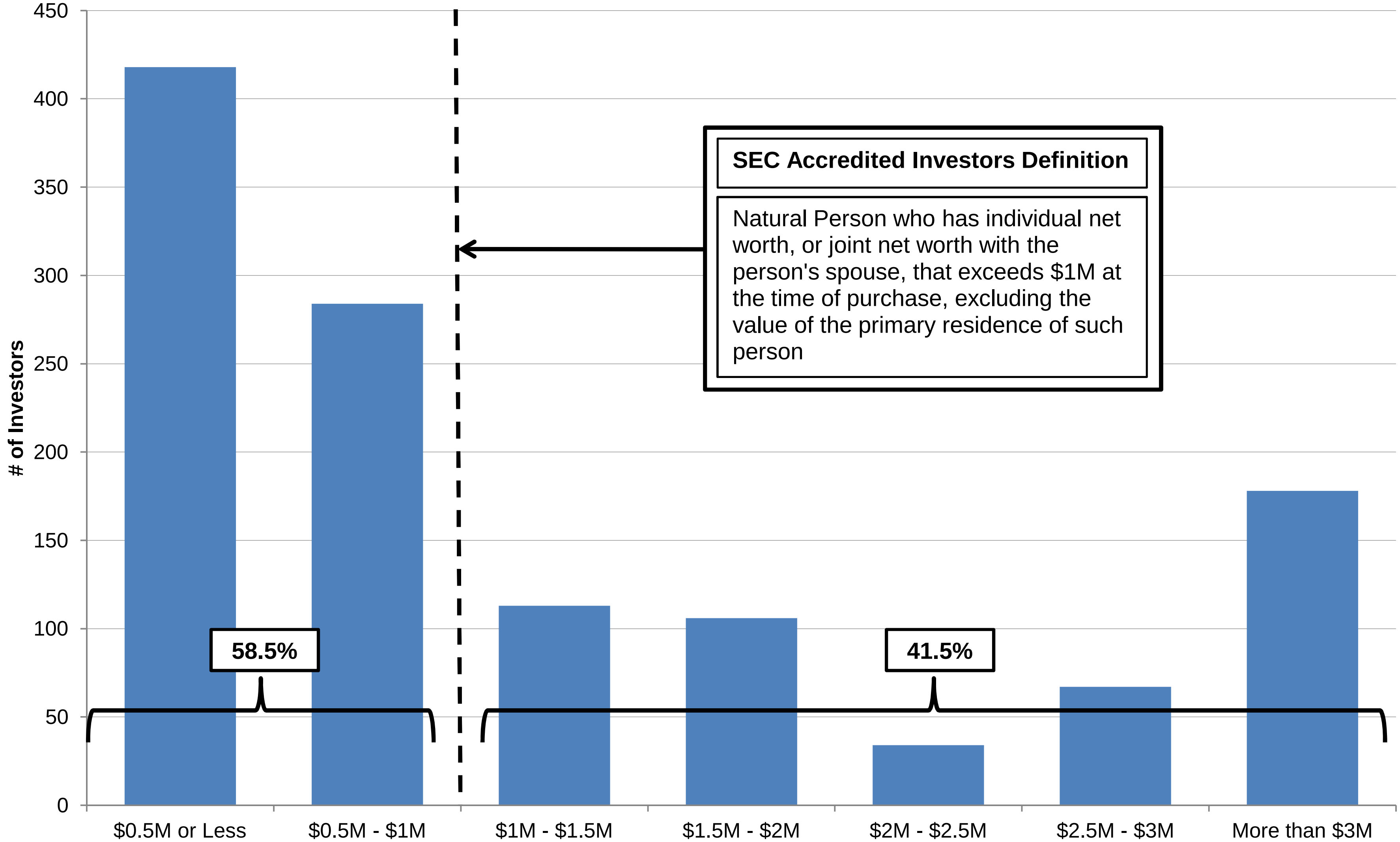
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L525, n= 313



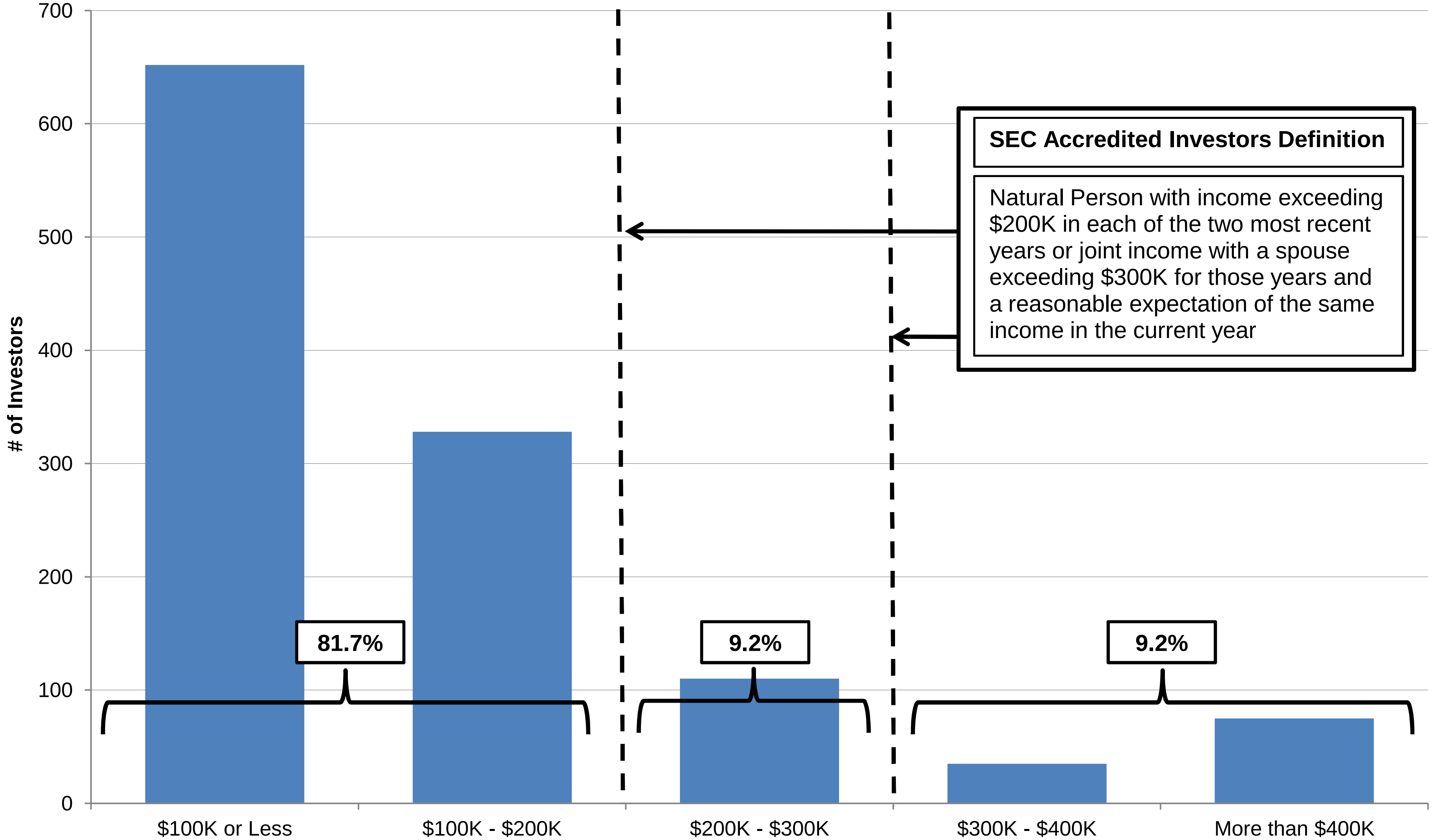
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L525, n= 1200



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L525, n= 1200

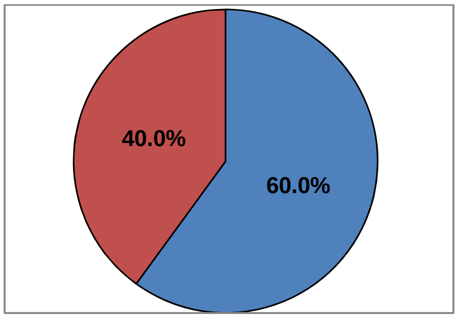


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

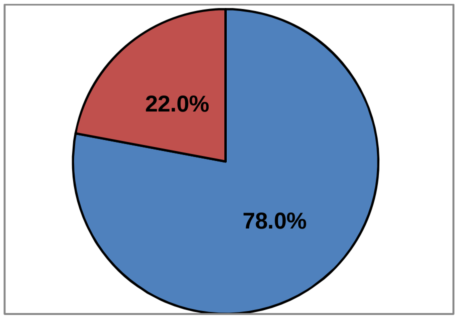
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L525

Accredited Unaccredited

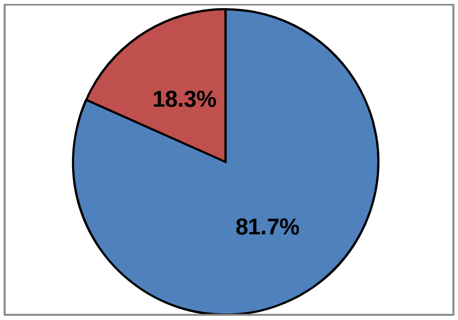
All Investors, n= 1513



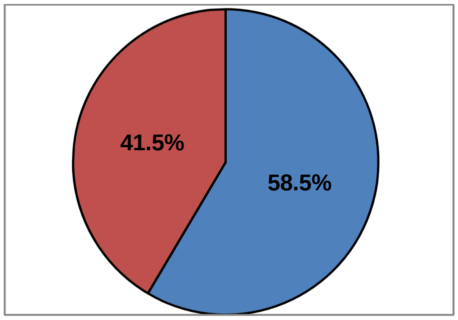
Non-Person Investors, n= 313



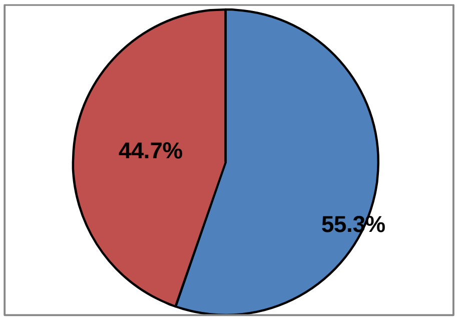
Person Investors Based on Income, n= 1200



Person Investors Based on Net Worth, n= 1200

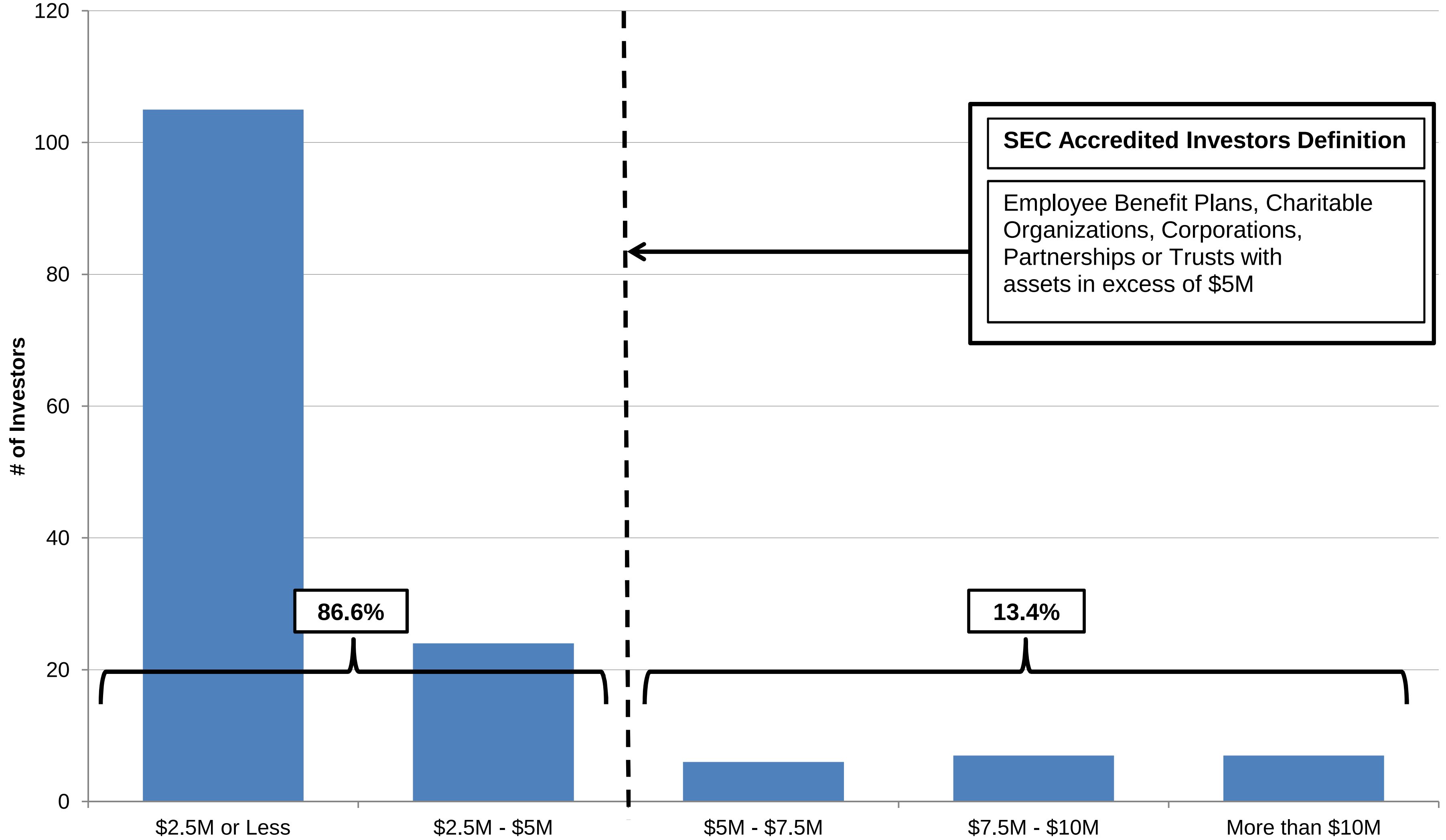


Person Investors Based on Income and Net Worth, n= 1200



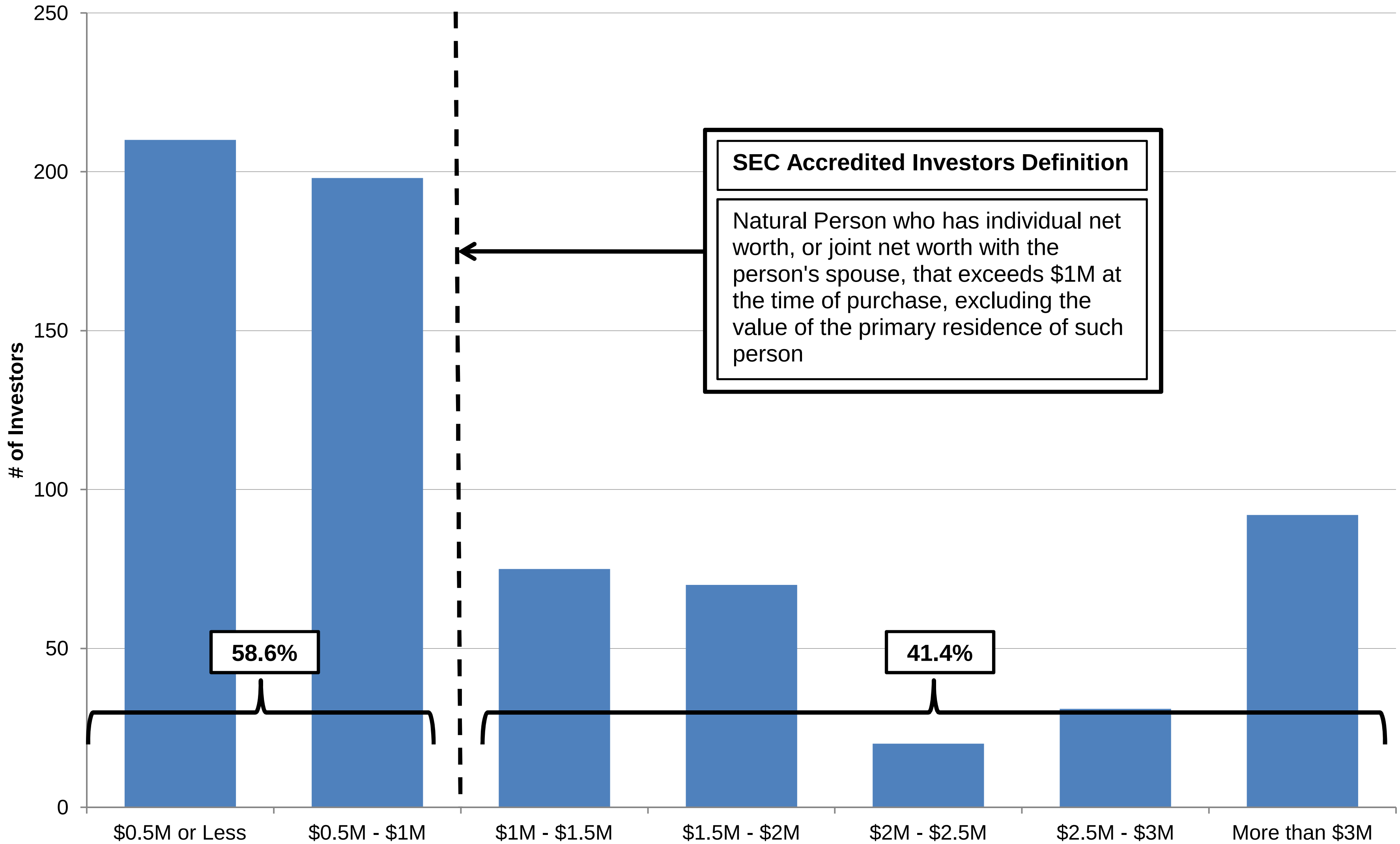
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L566, n= 149



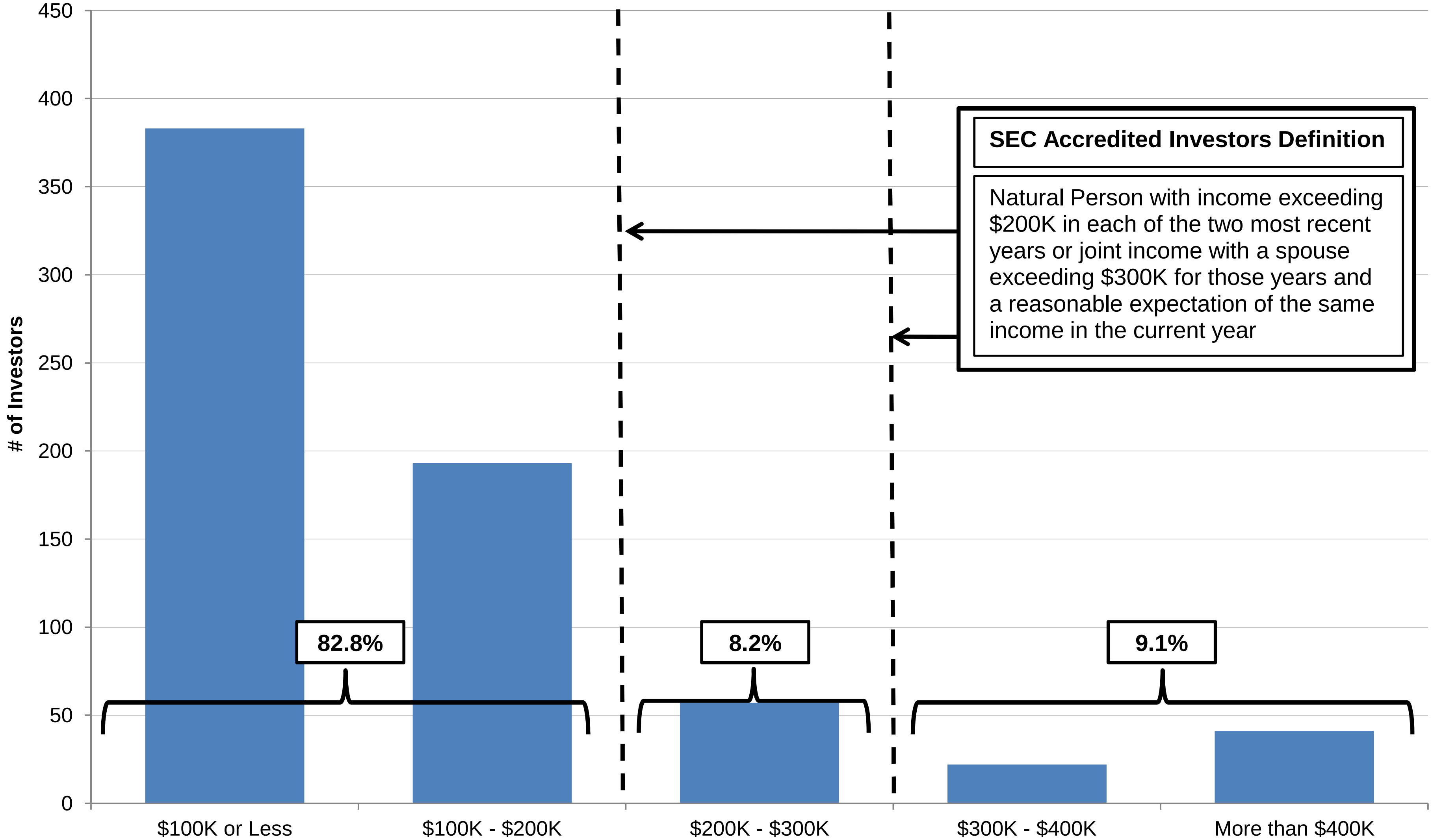
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L566, n= 696



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L566, n= 696

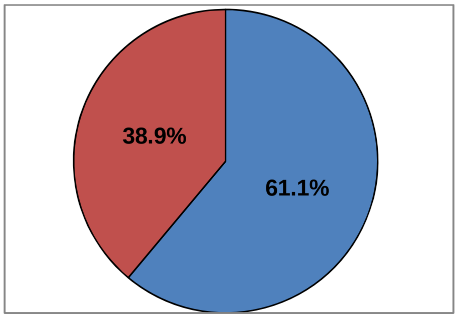


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

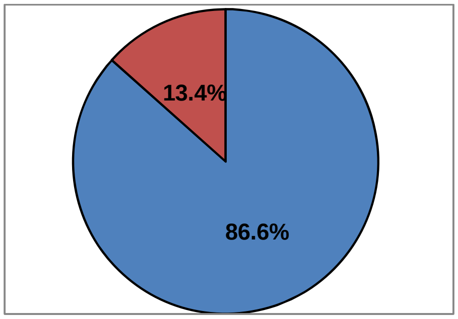
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L566

Accredited Unaccredited

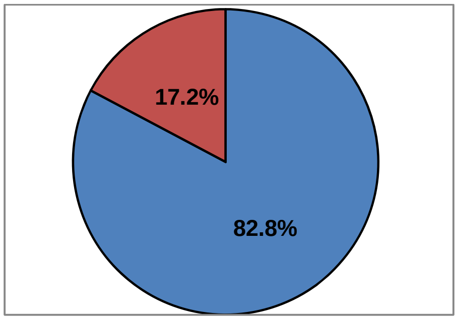
All Investors, n= 845



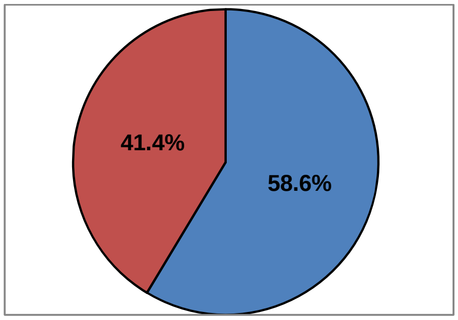
Non-Person Investors, n= 149



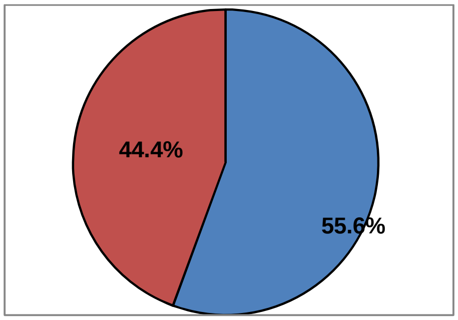
Person Investors Based on Income, n= 696



Person Investors Based on Net Worth, n= 696

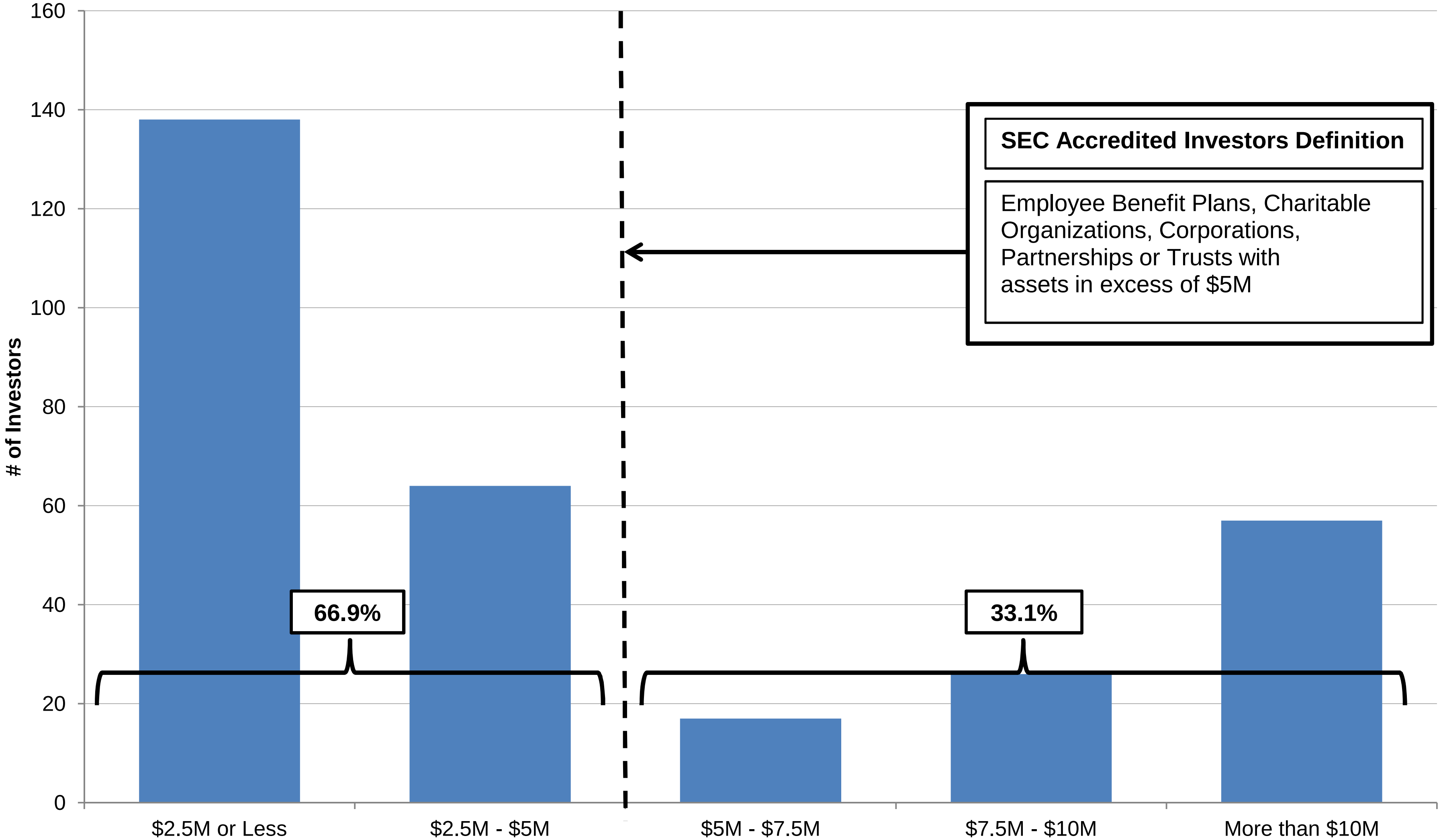


Person Investors Based on Income and Net Worth, n= 696



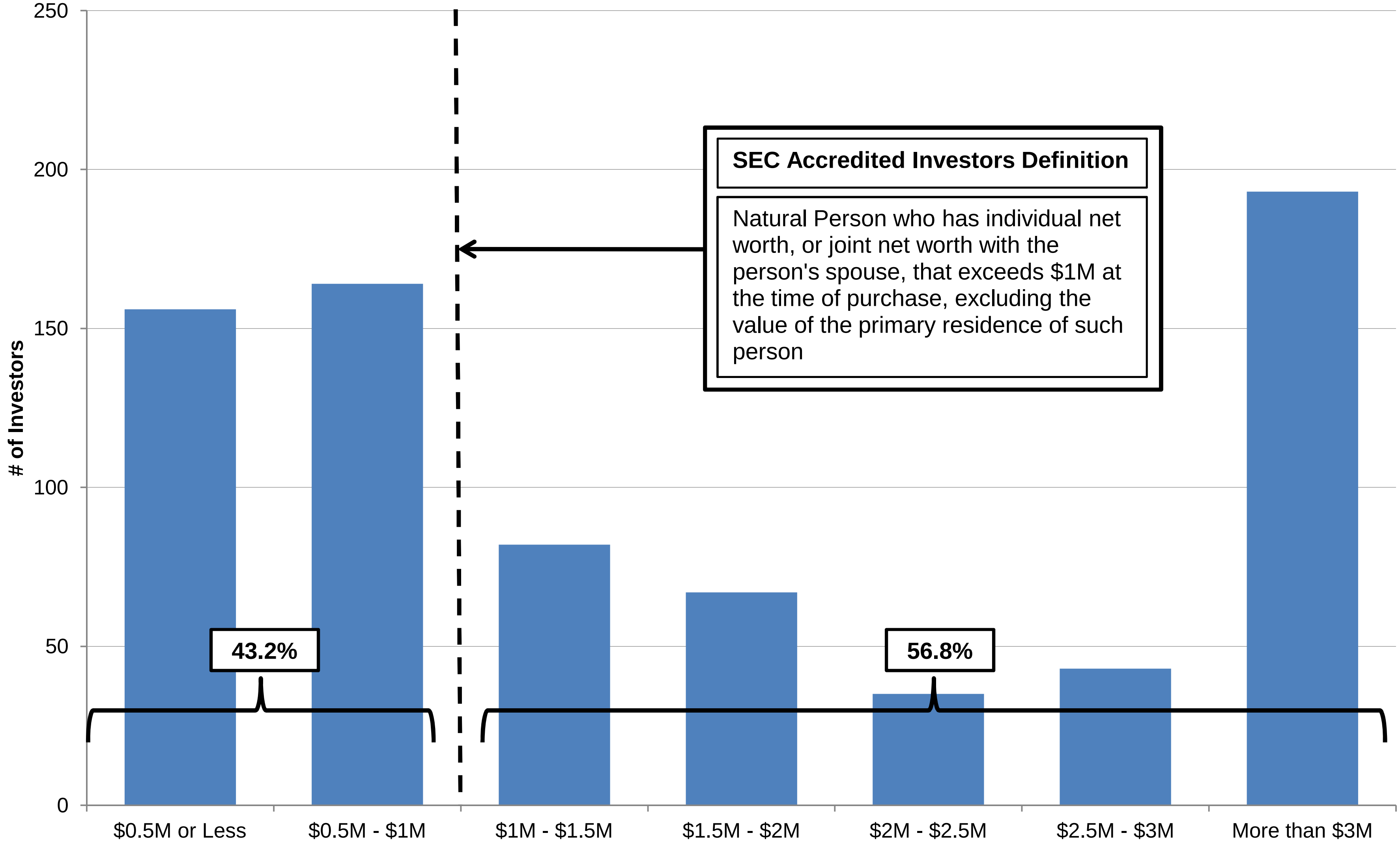
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L657, n= 302



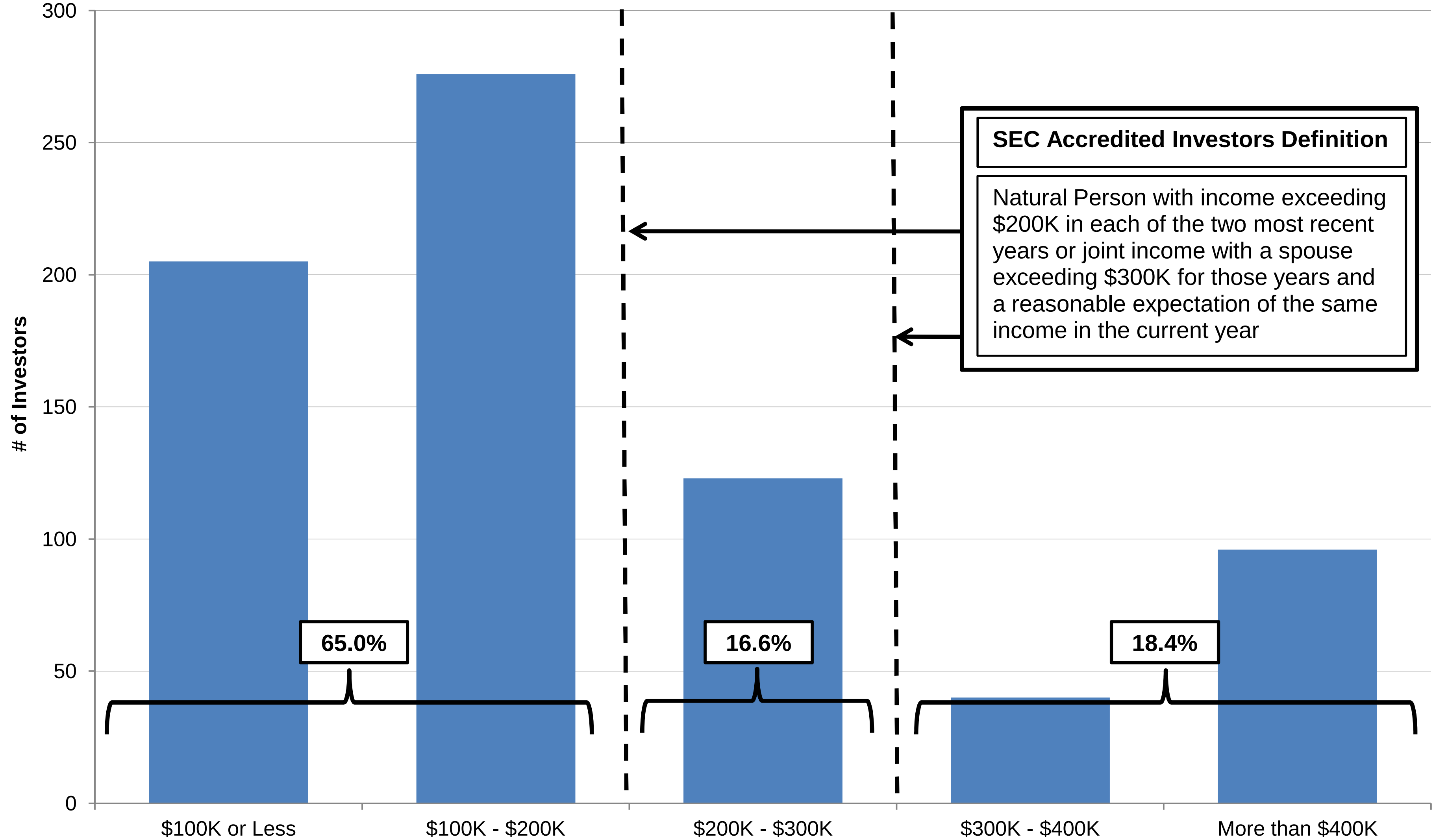
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L657, n= 740



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L657, n= 740

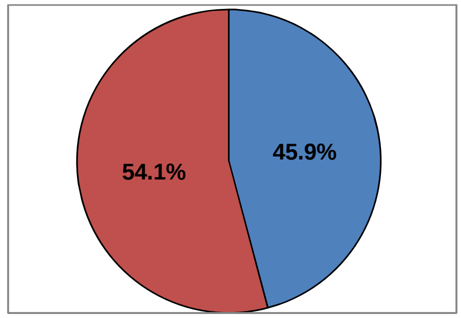


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

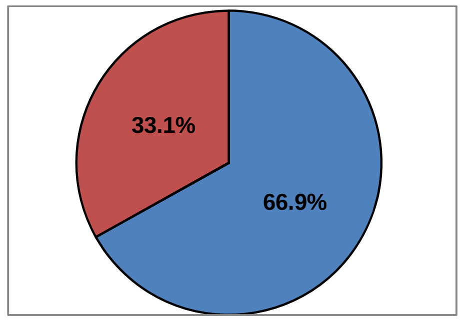
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L657

Accredited Unaccredited

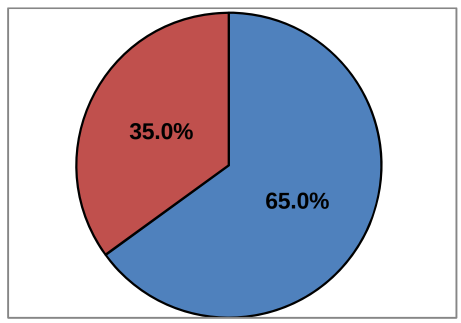
All Investors, n= 1042



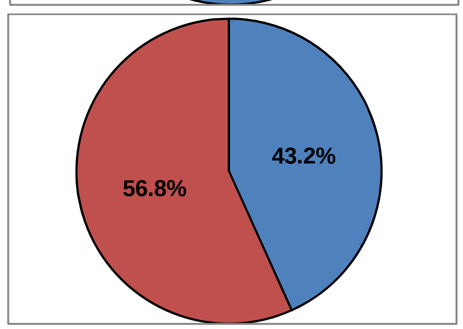
Non-Person Investors, n= 302



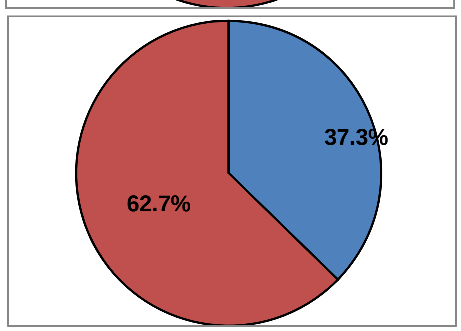
Person Investors Based on Income, n= 740



Person Investors Based on Net Worth, n= 740

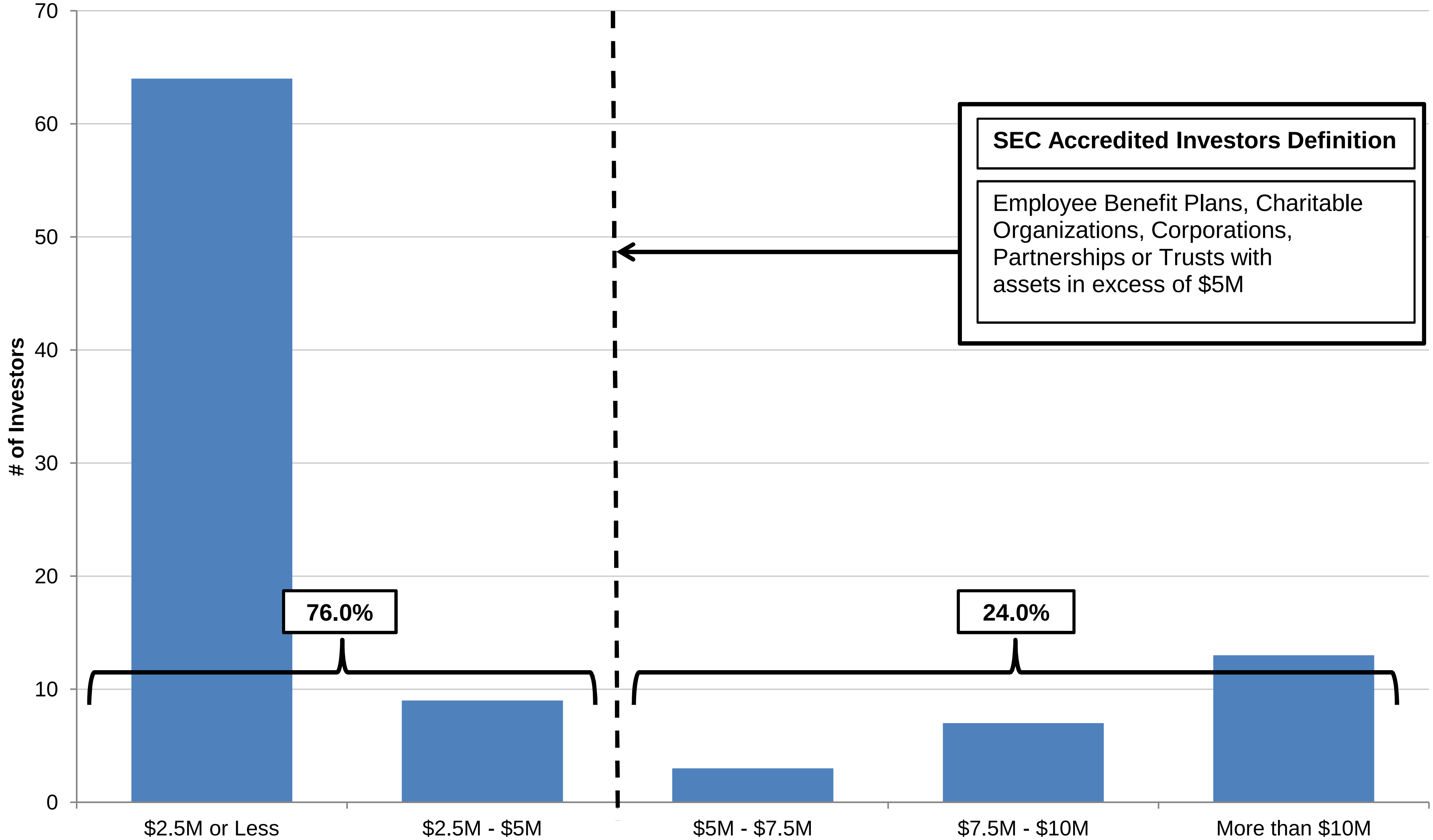


Person Investors Based on Income and Net Worth, n= 740



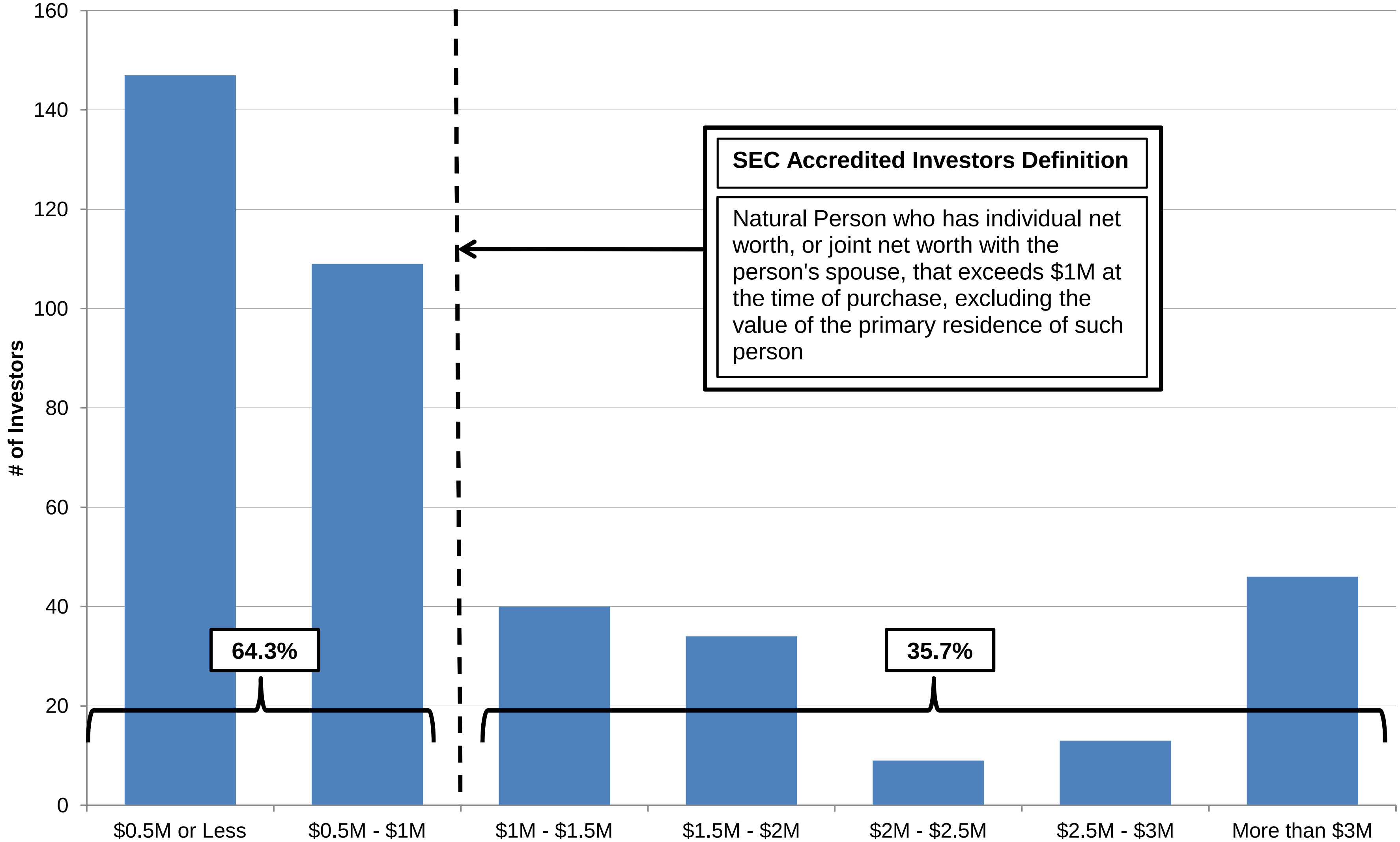
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L798, n= 96



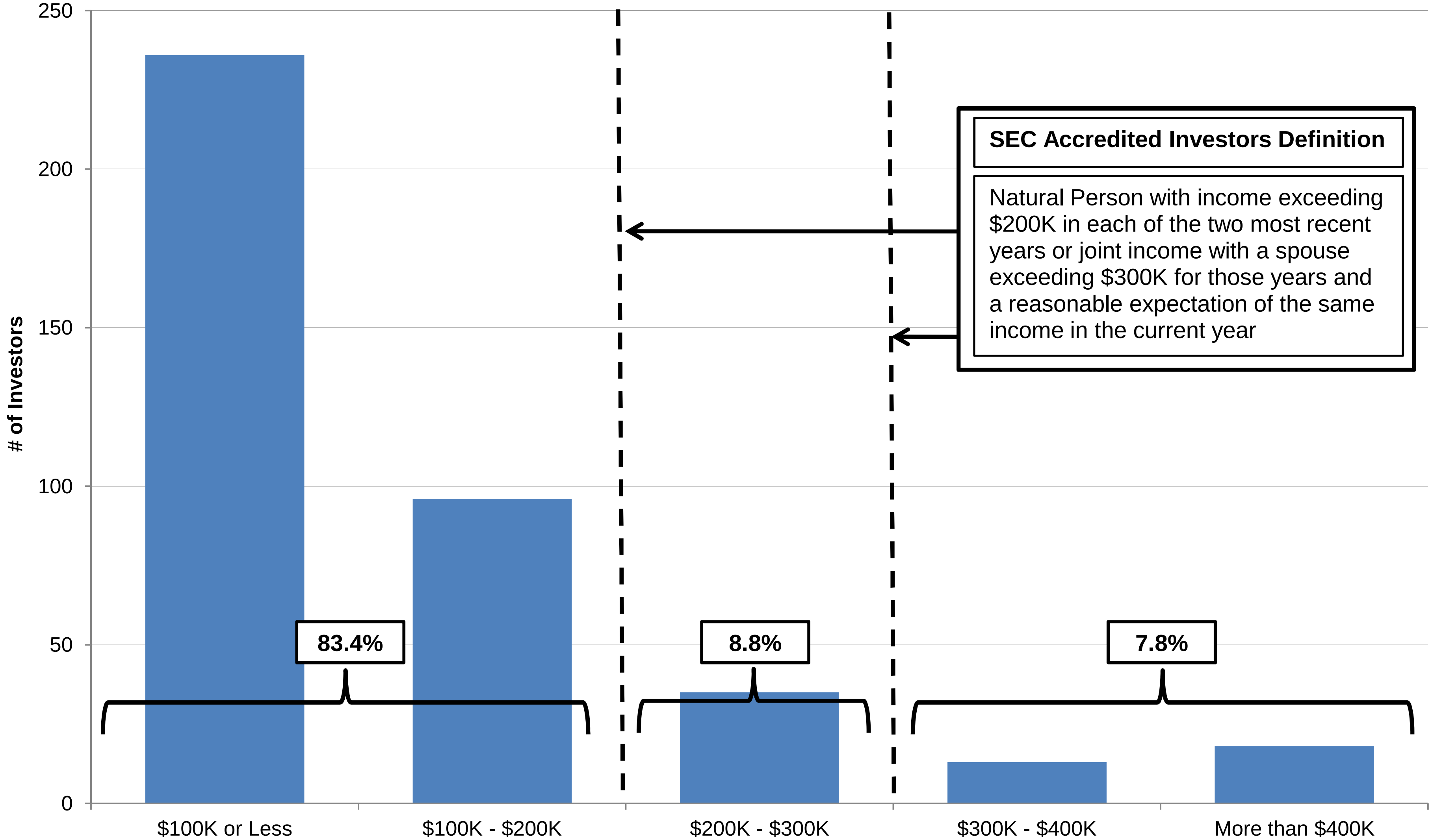
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L798, n= 398



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L798, n= 398

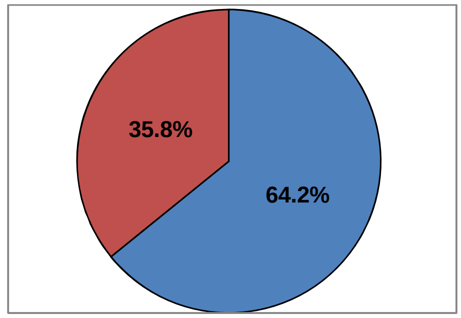


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

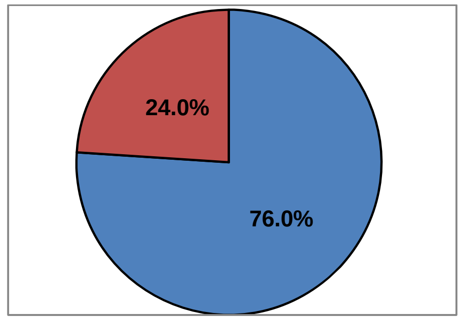
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L798

Accredited   Unaccredited

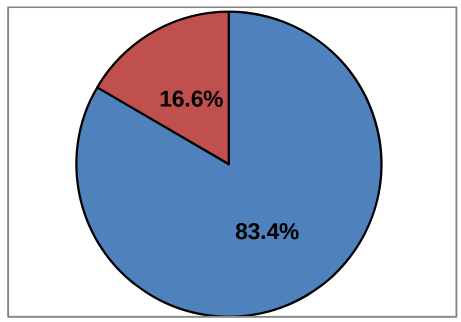
All Investors, n= 494



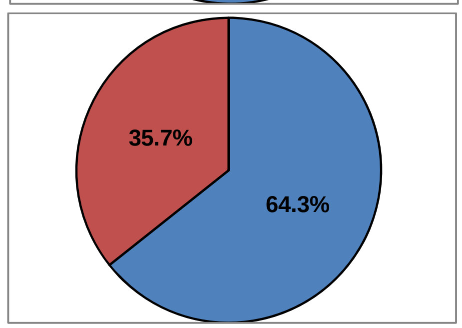
Non-Person Investors, n= 96



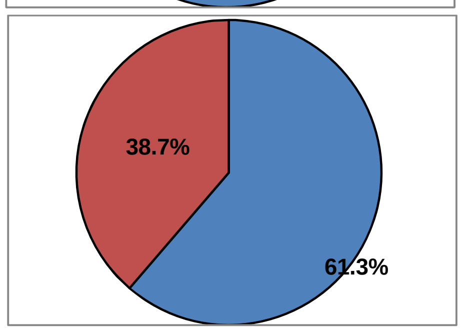
Person Investors Based on Income, n= 398



Person Investors Based on Net Worth, n= 398

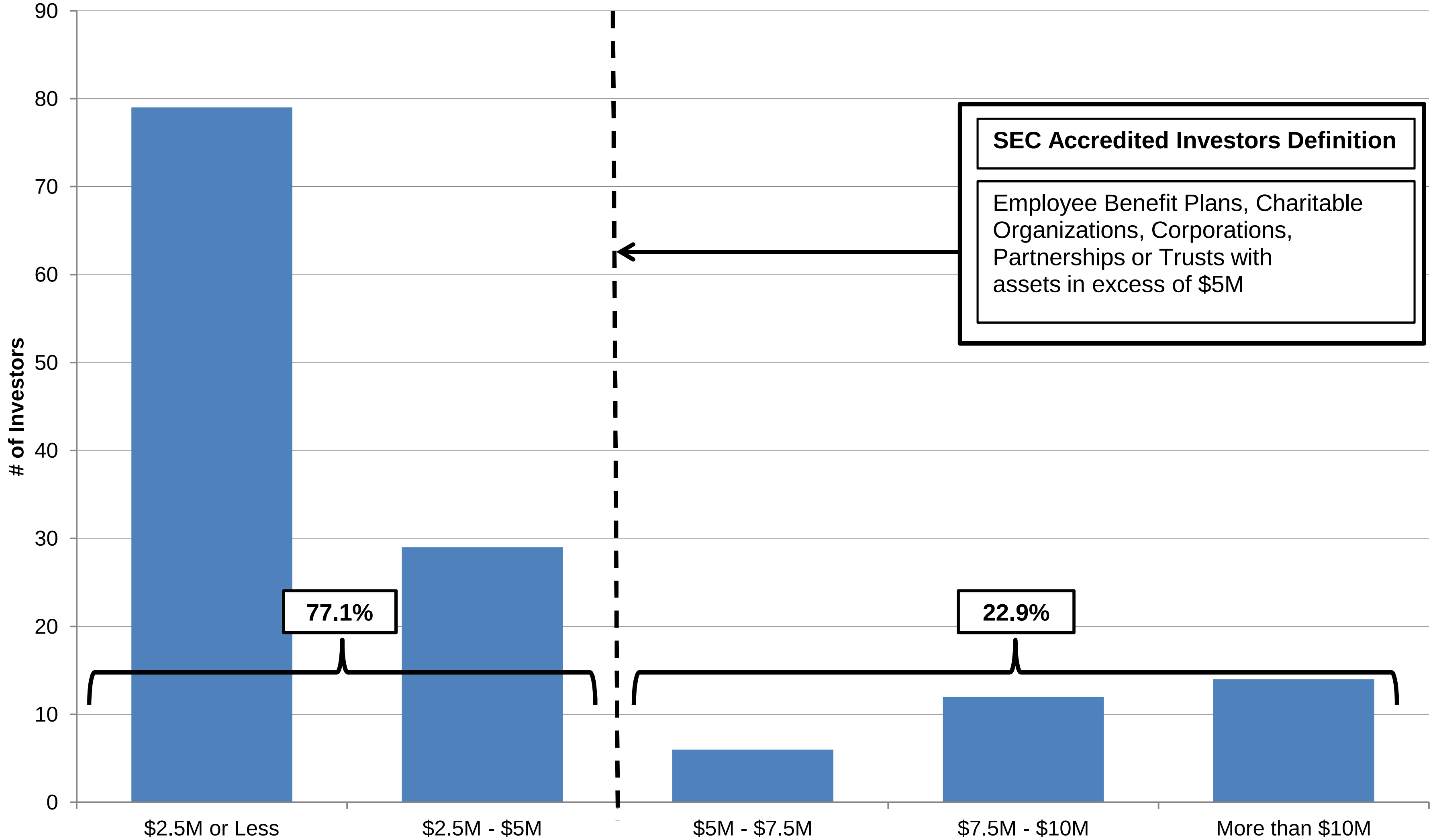


Person Investors Based on Income and Net Worth, n= 398



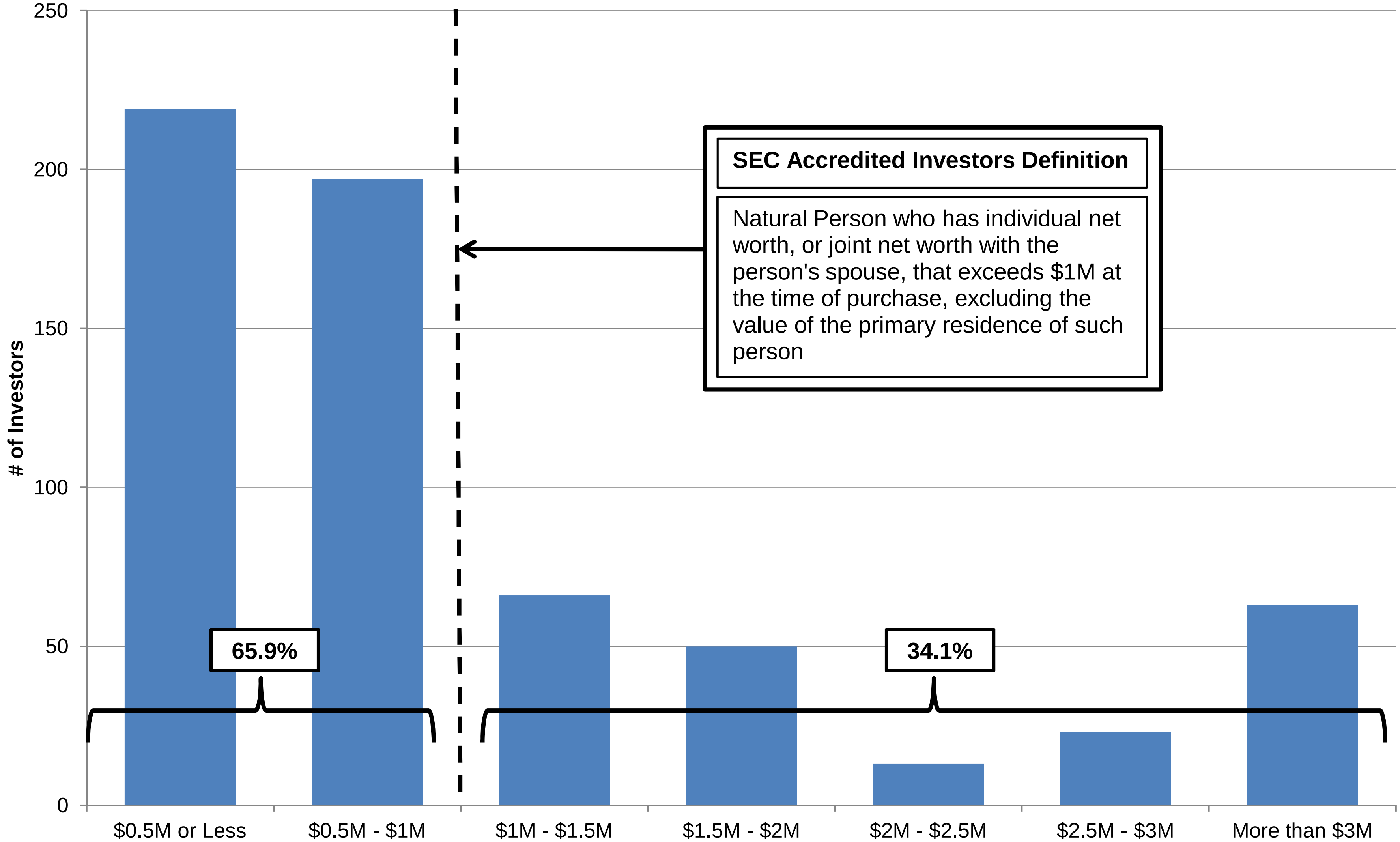
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L806, n= 140



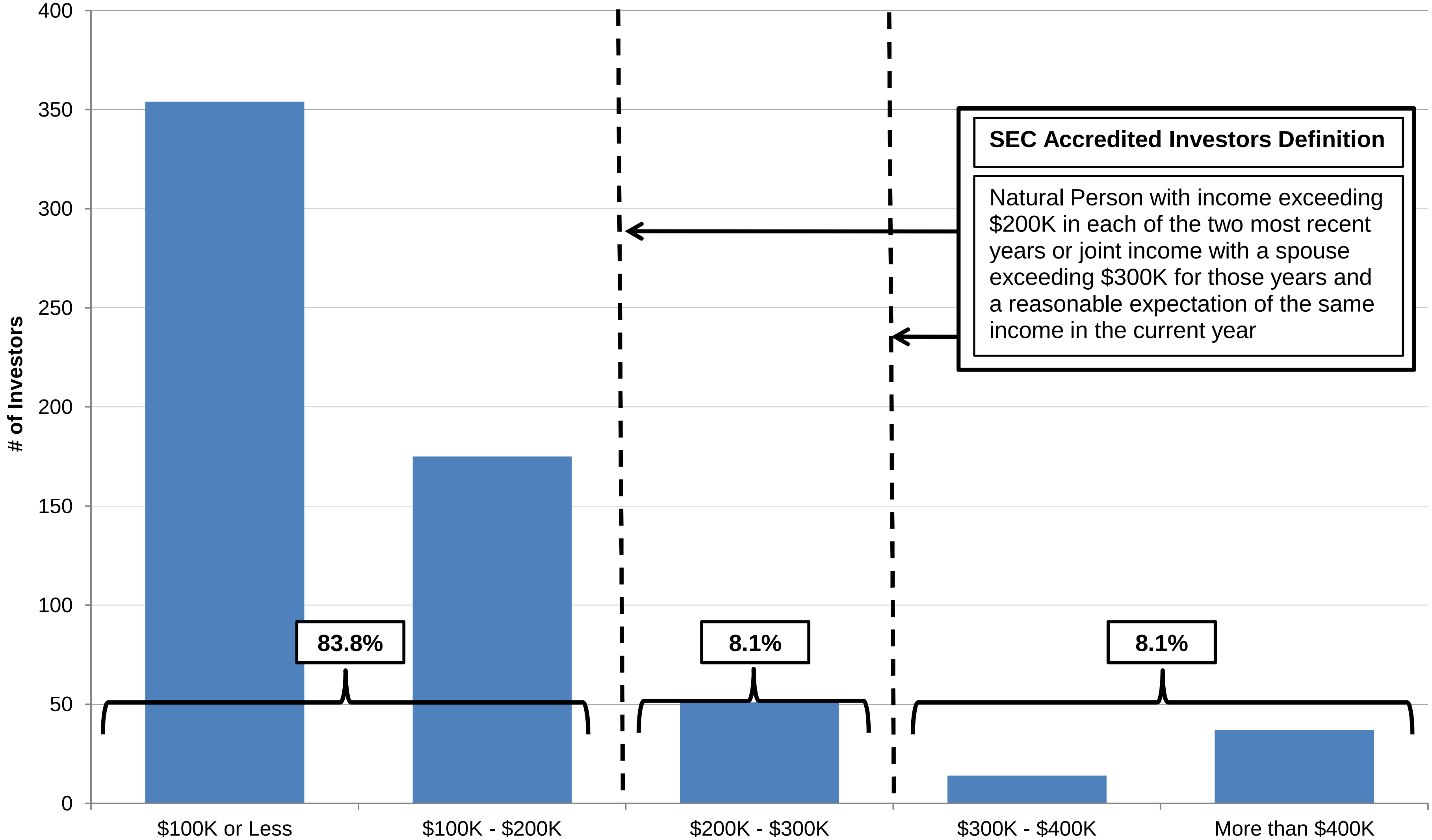
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L806, n= 631



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L806, n= 631

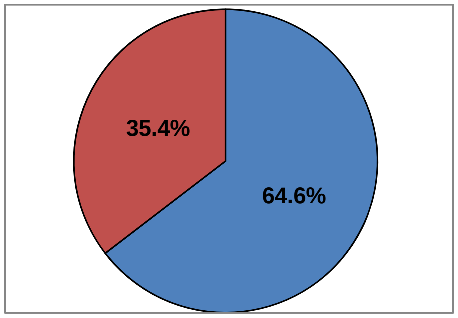


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

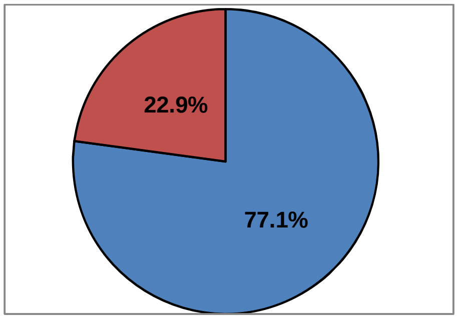
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L806

Accredited Unaccredited

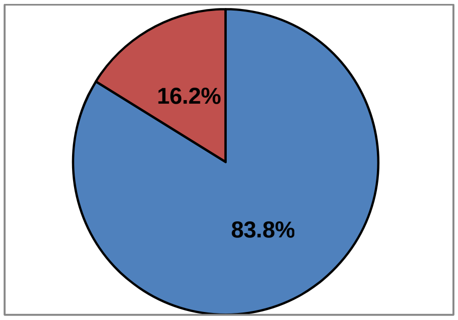
All Investors, n= 771



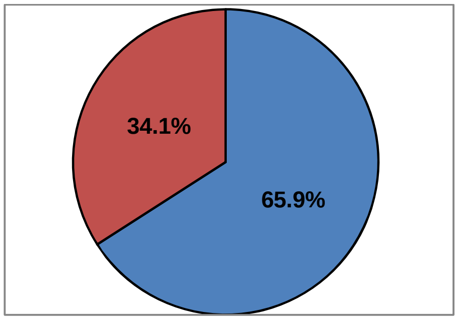
Non-Person Investors, n= 140



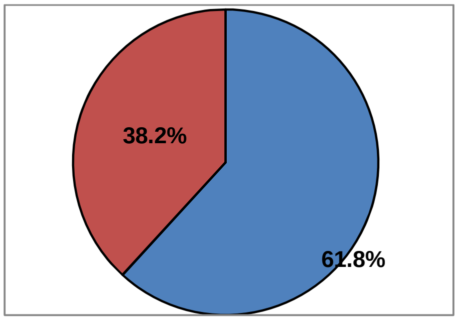
Person Investors Based on Income, n= 631



Person Investors Based on Net Worth, n= 631

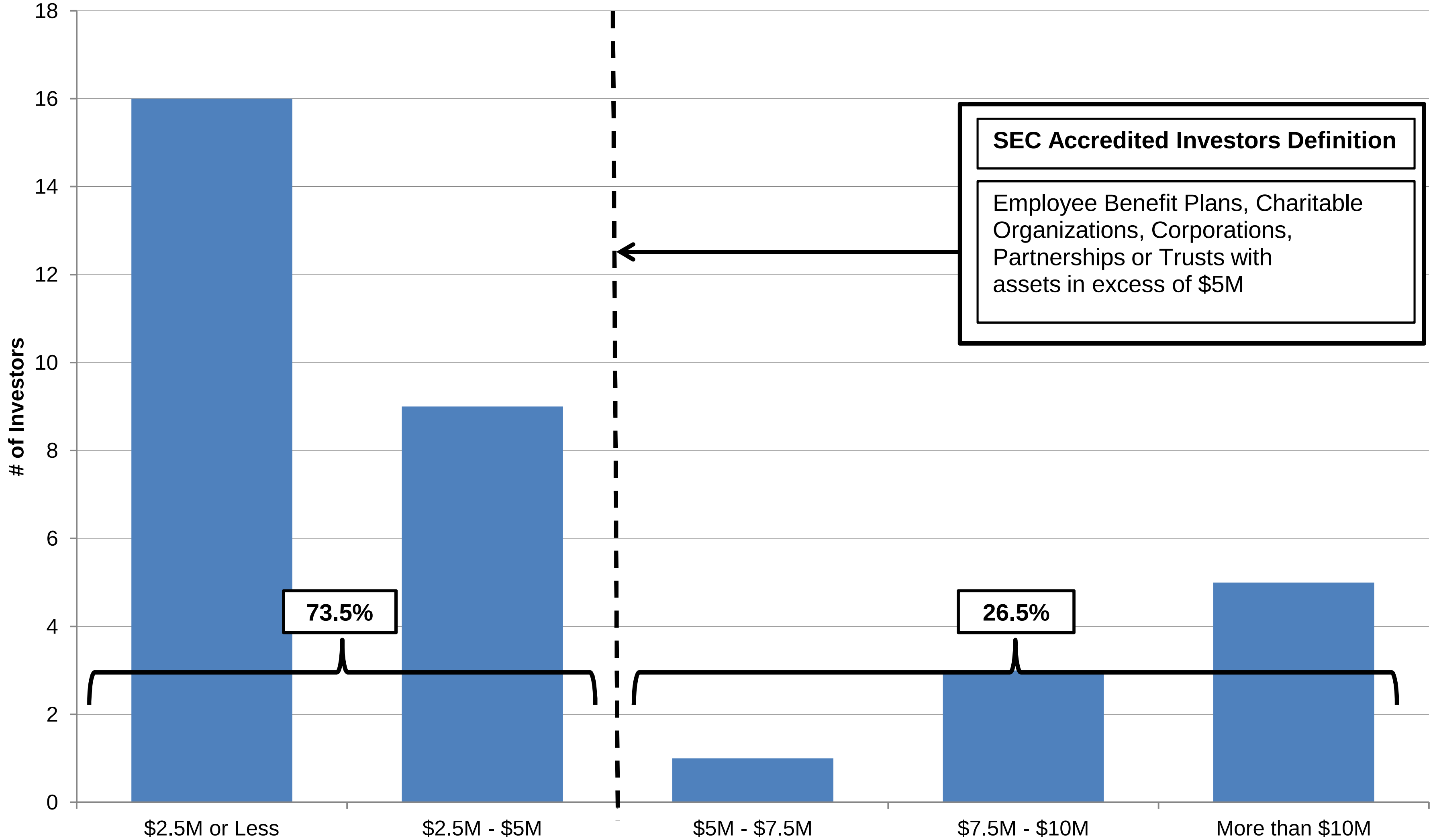


Person Investors Based on Income and Net Worth, n= 631



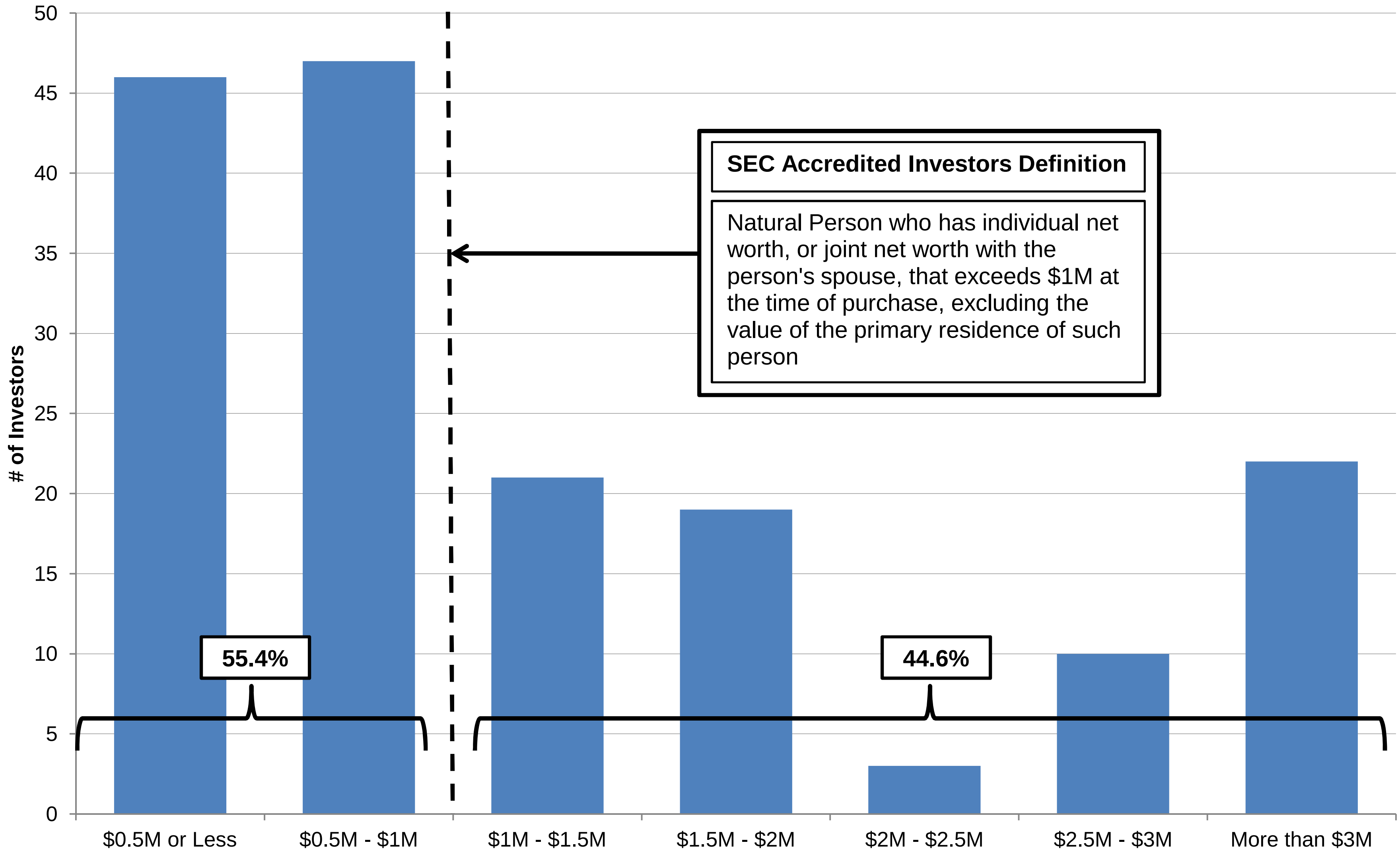
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L814, n= 34



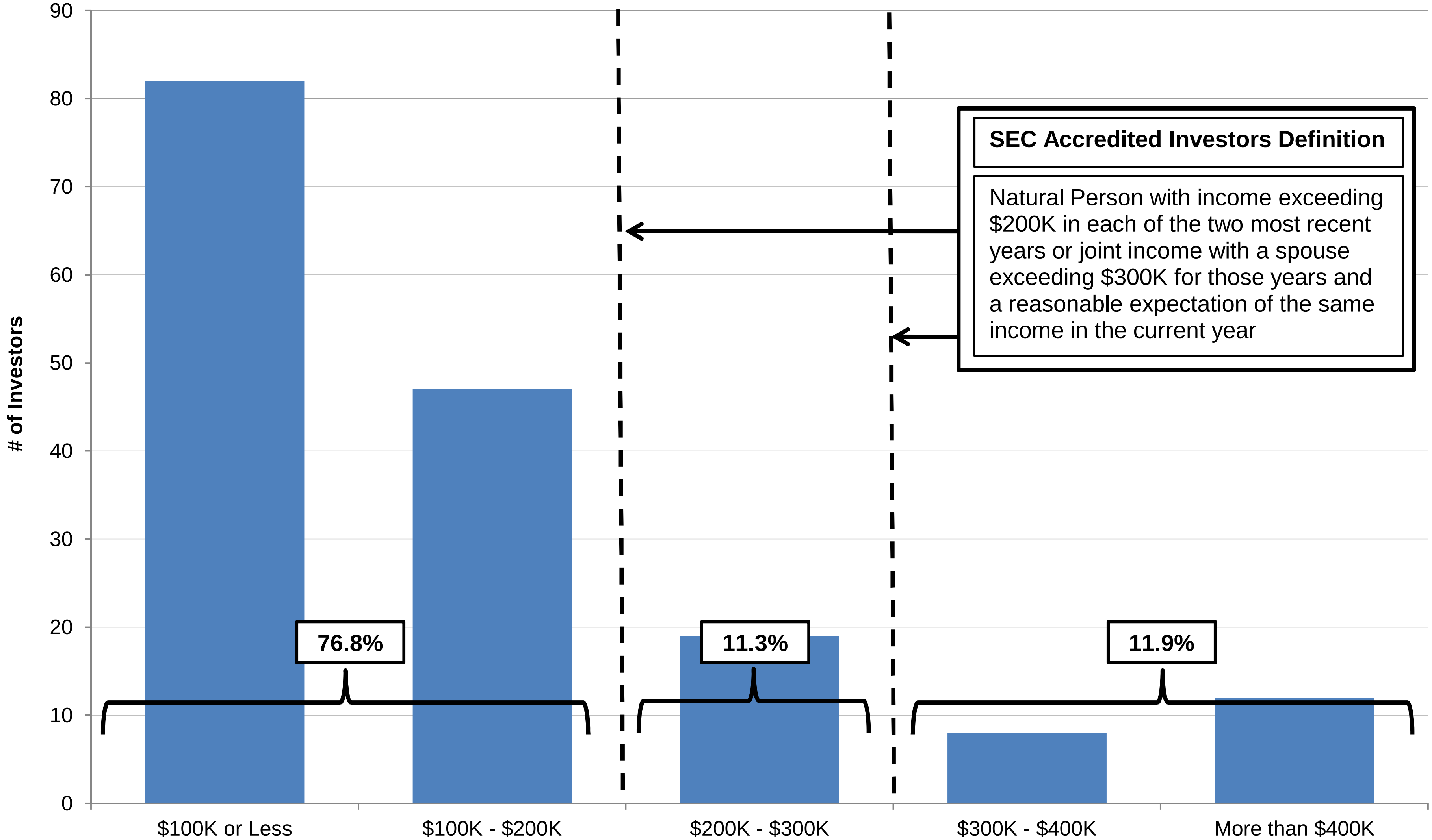
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L814, n= 168



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L814, n= 168

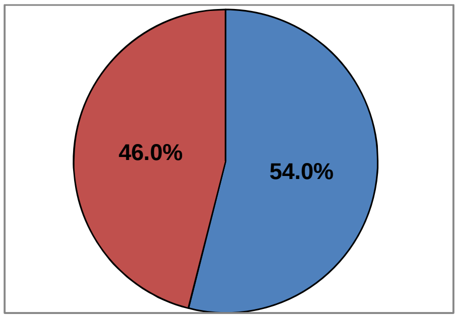


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

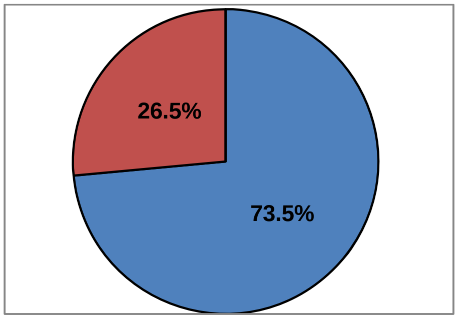
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L814

Accredited Unaccredited

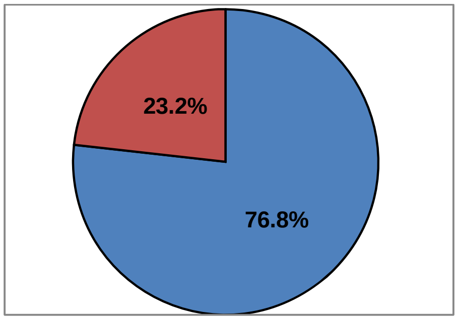
All Investors, n= 202



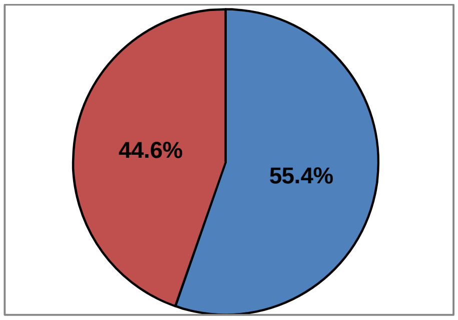
Non-Person Investors, n= 34



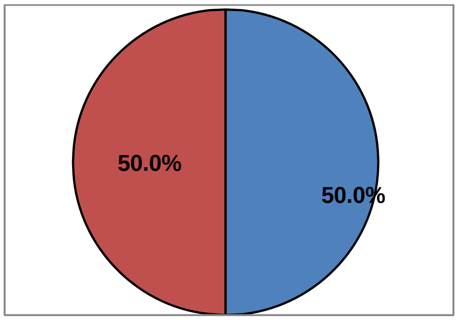
Person Investors Based on Income, n= 168



Person Investors Based on Net Worth, n= 168

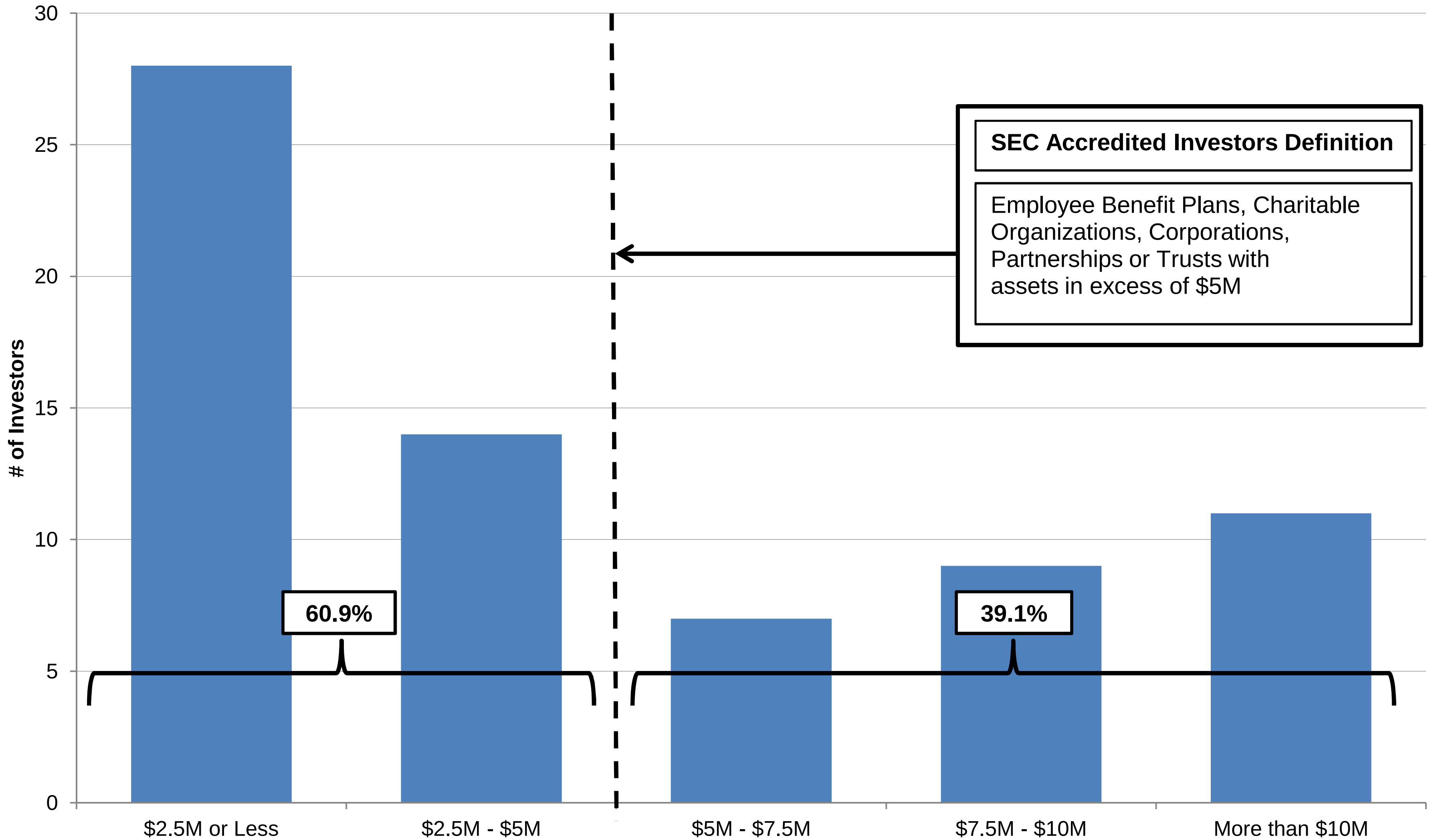


Person Investors Based on Income and Net Worth, n= 168



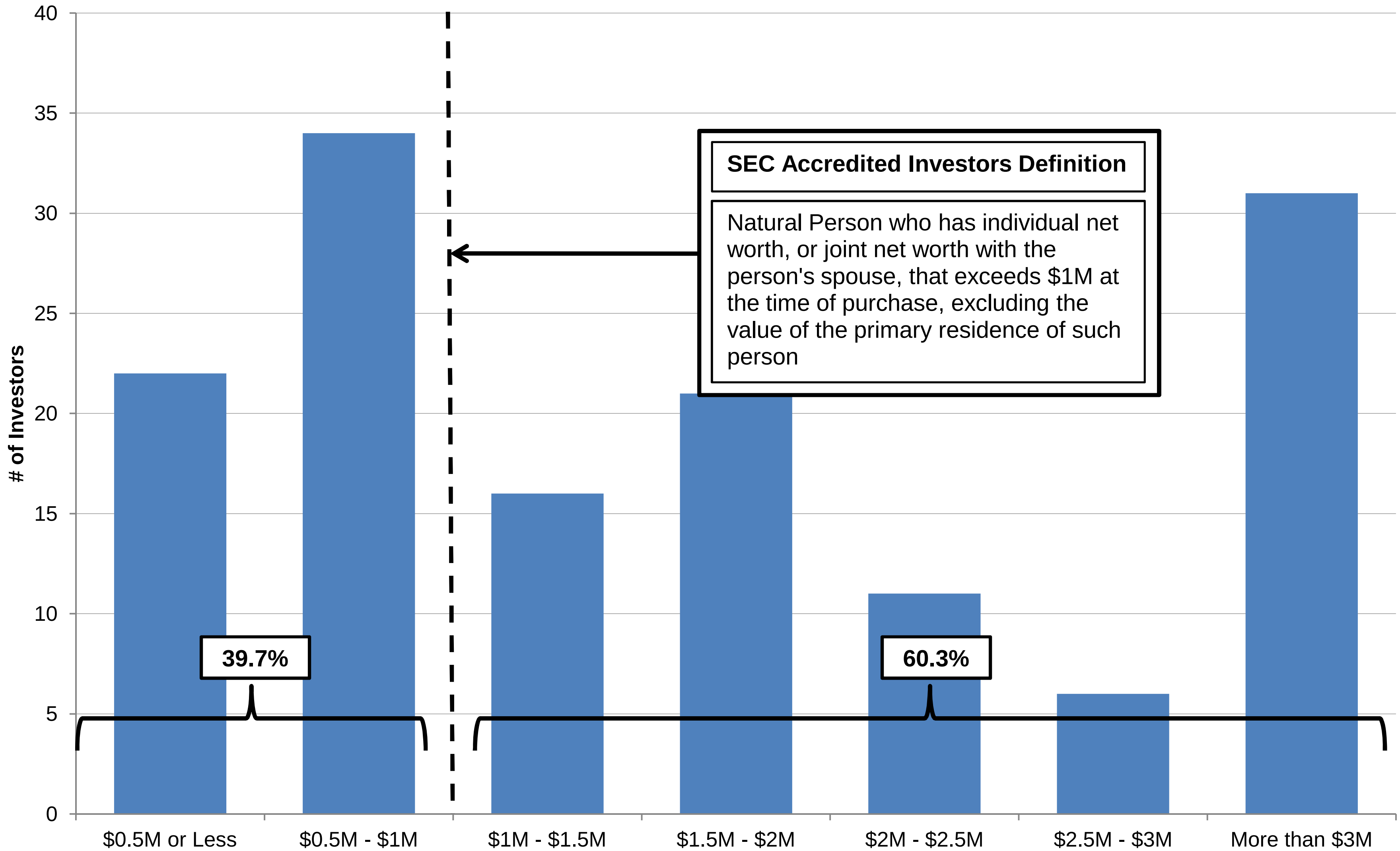
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L871, n= 69



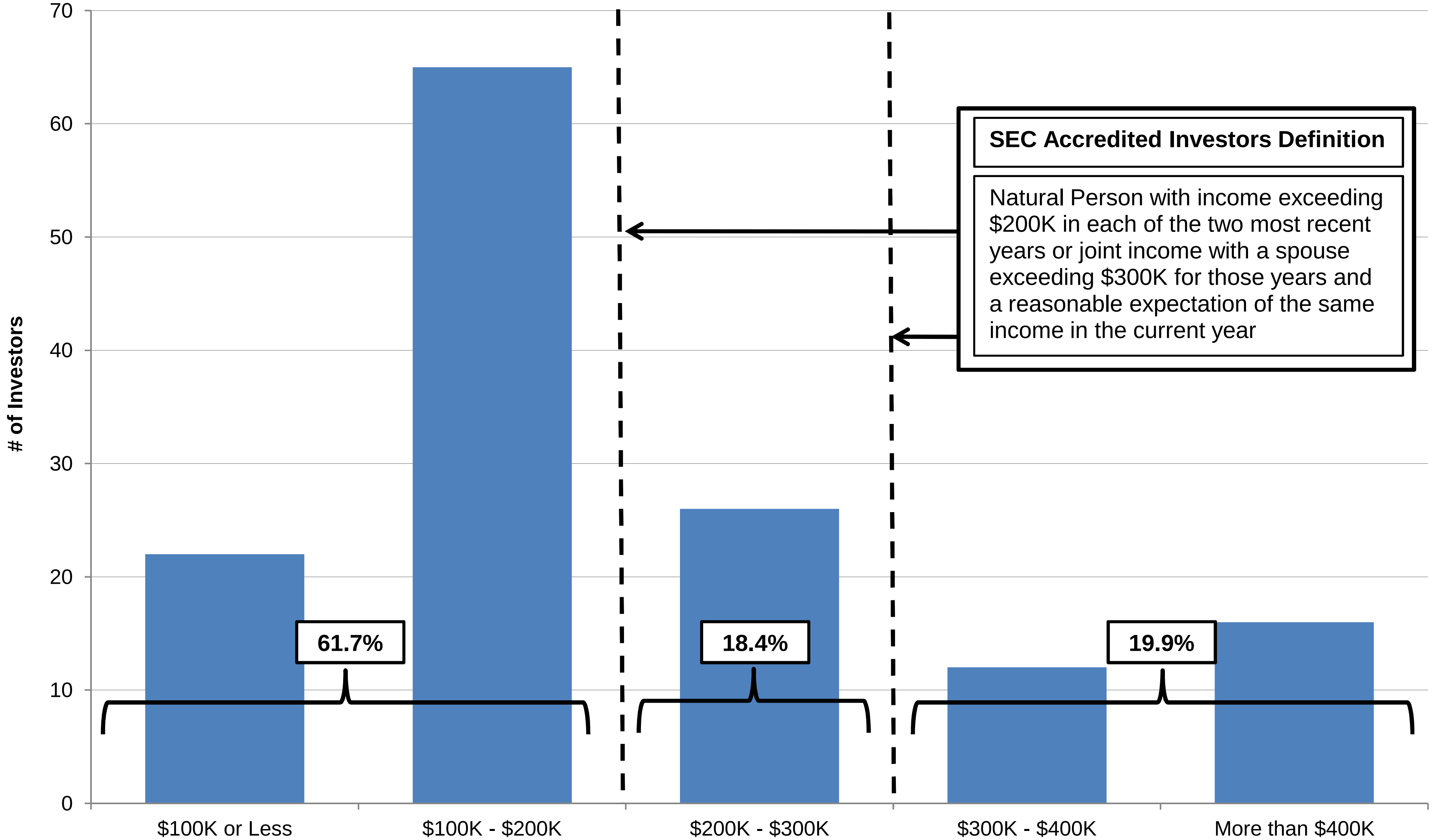
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L871, n= 141



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L871, n= 141

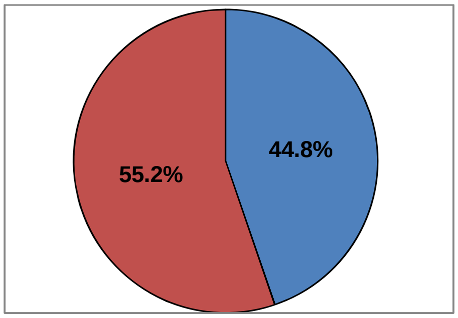


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

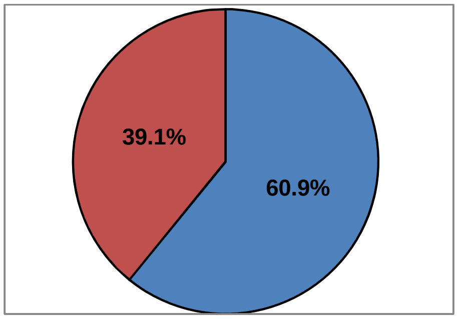
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L871

Accredited Unaccredited

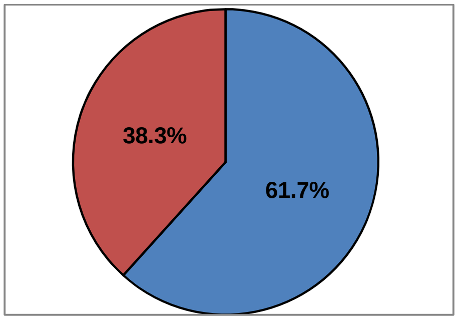
All Investors, n= 210



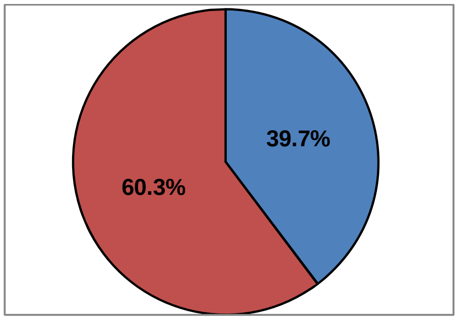
Non-Person Investors, n= 69



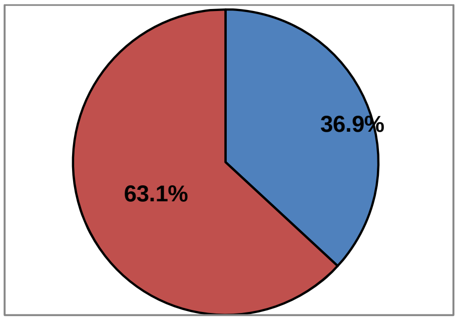
Person Investors Based on Income, n= 141



Person Investors Based on Net Worth, n= 141

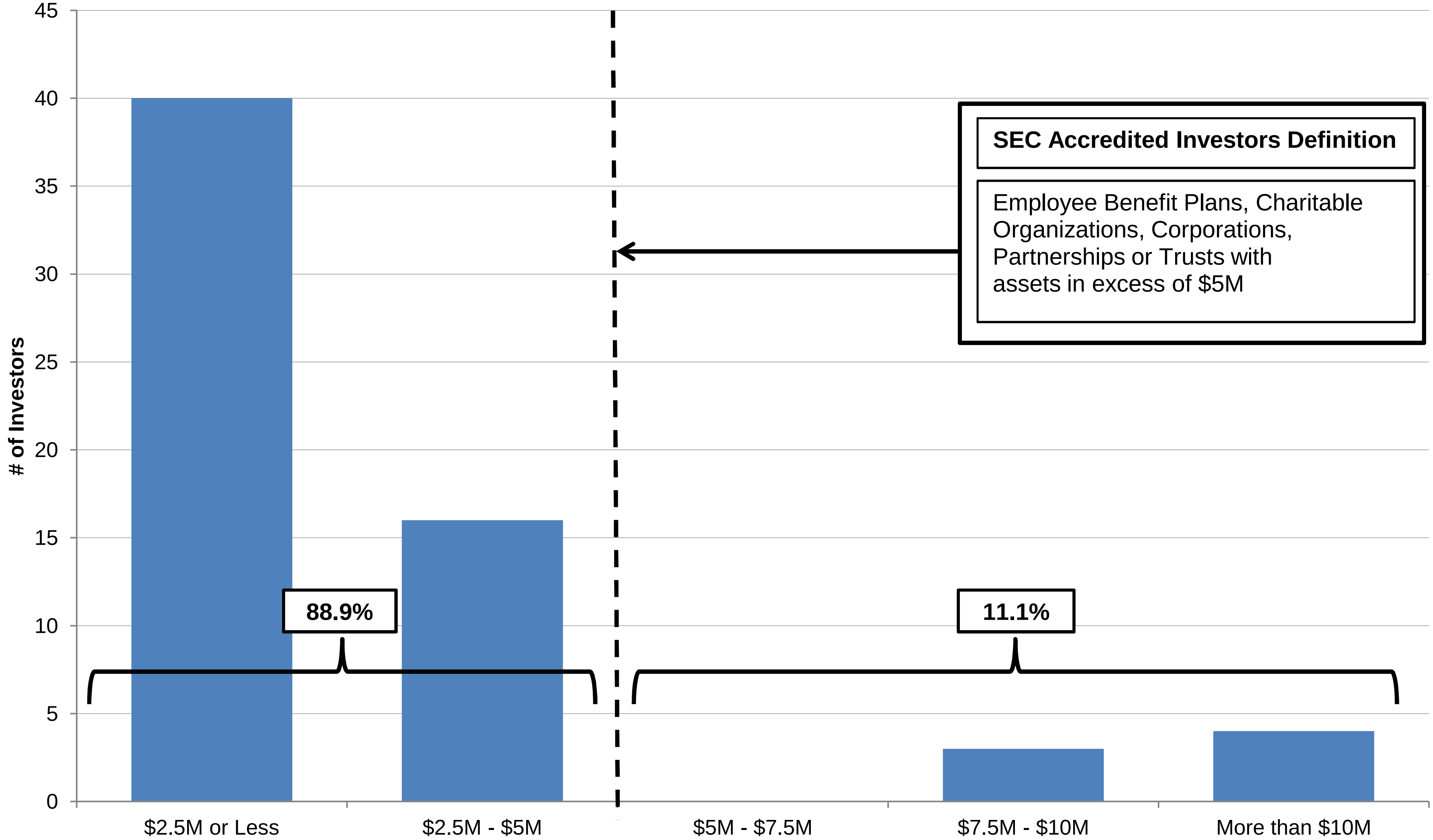


Person Investors Based on Income and Net Worth, n= 141



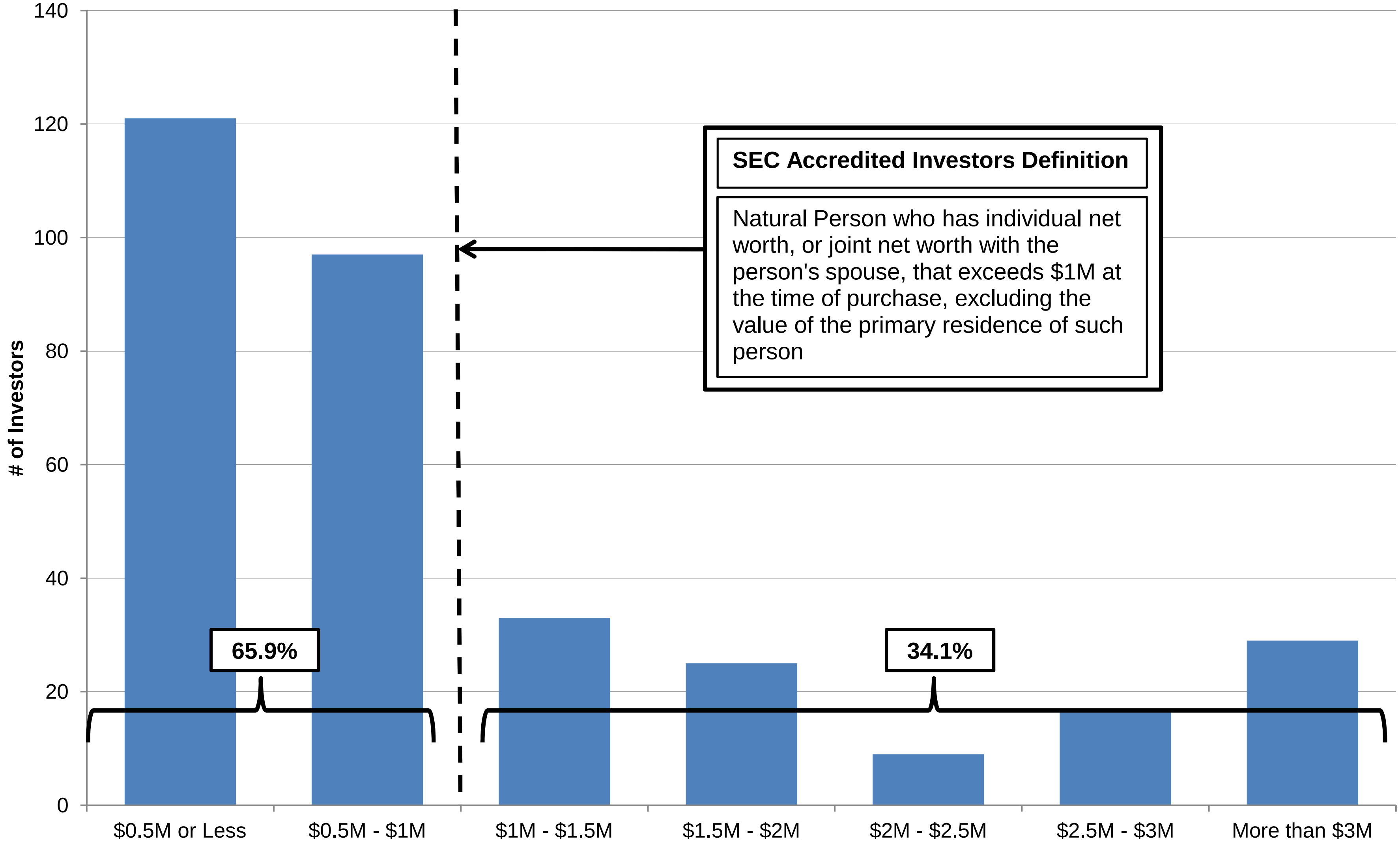
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52522L889, n= 63



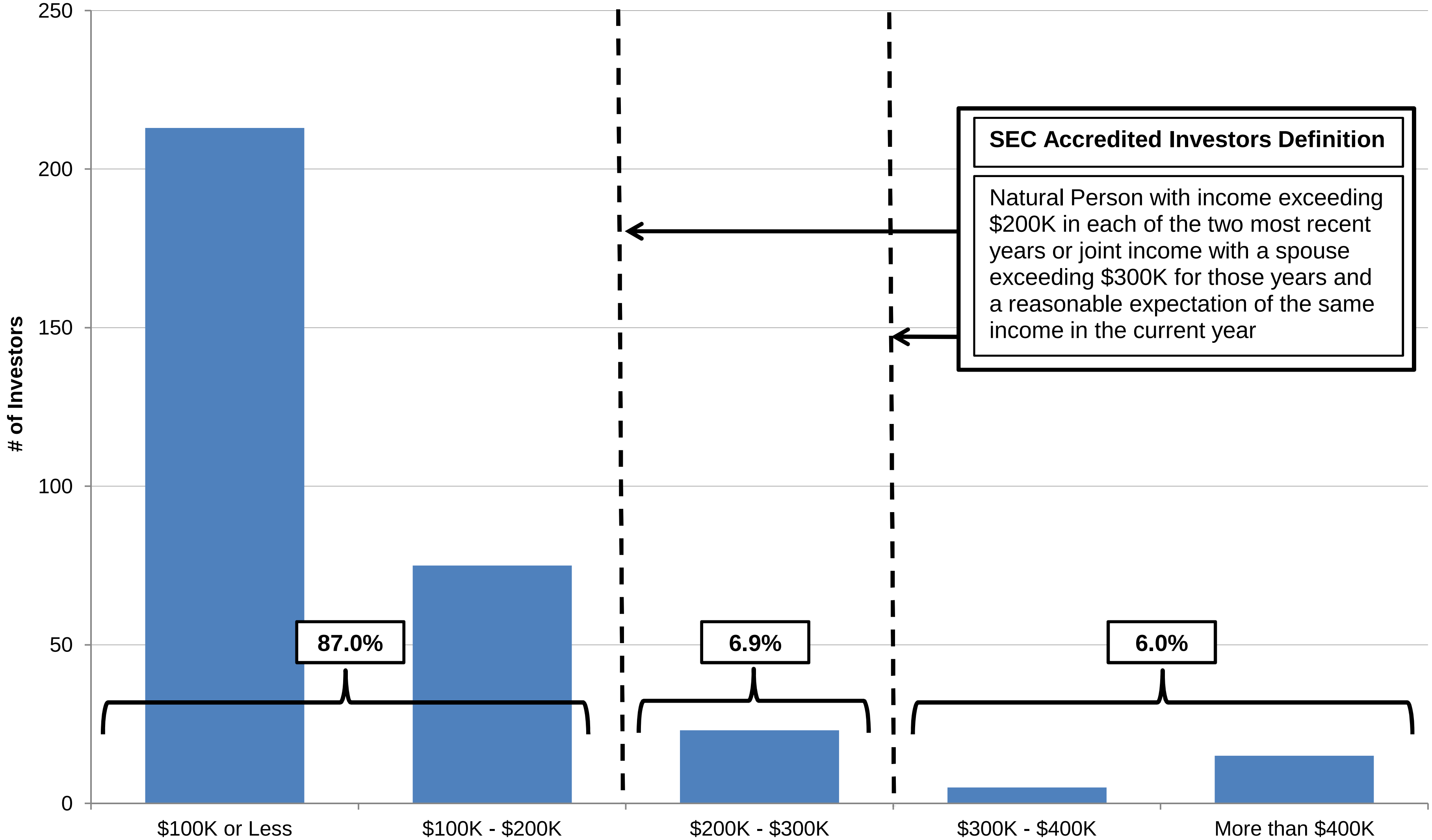
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52522L889, n= 331



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52522L889, n= 331

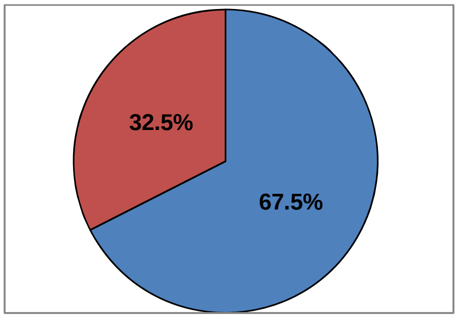


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

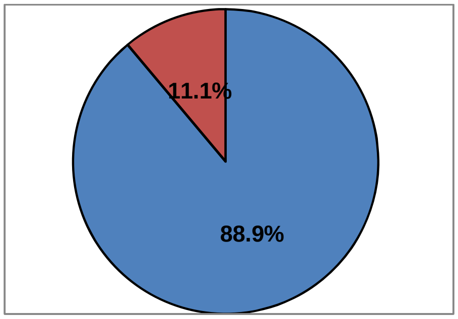
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52522L889

Accredited Unaccredited

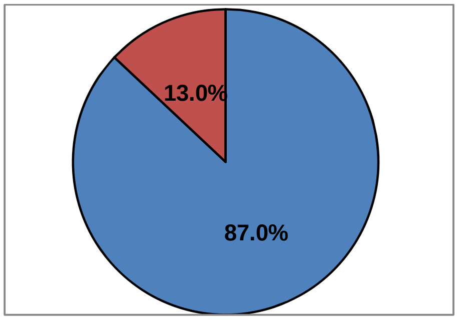
All Investors, n= 394



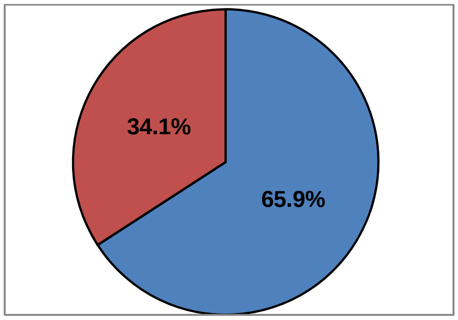
Non-Person Investors, n= 63



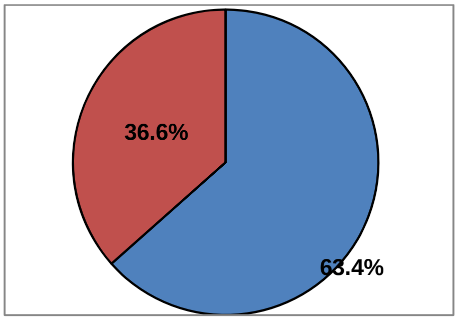
Person Investors Based on Income, n= 331



Person Investors Based on Net Worth, n= 331

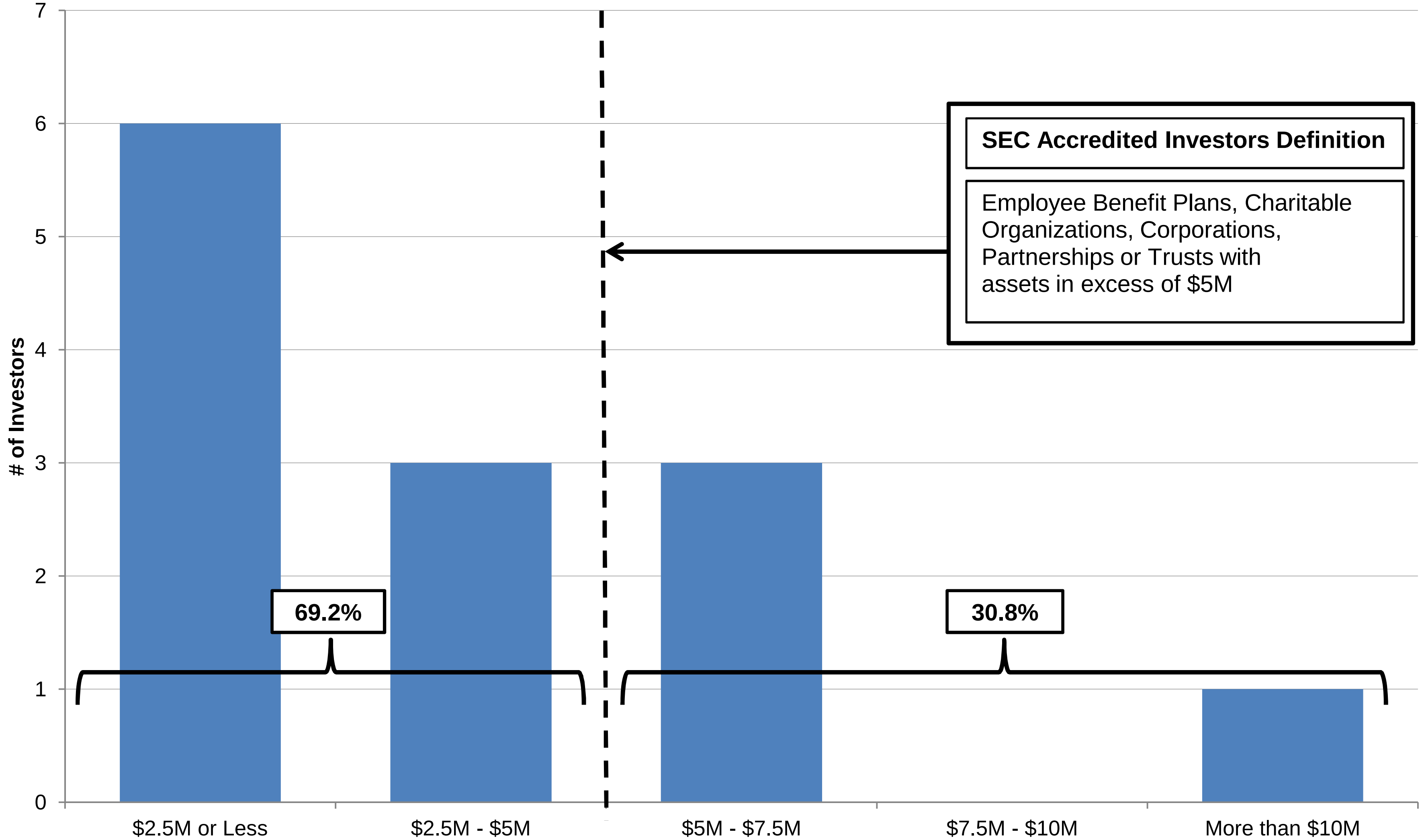


Person Investors Based on Income and Net Worth, n= 331



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

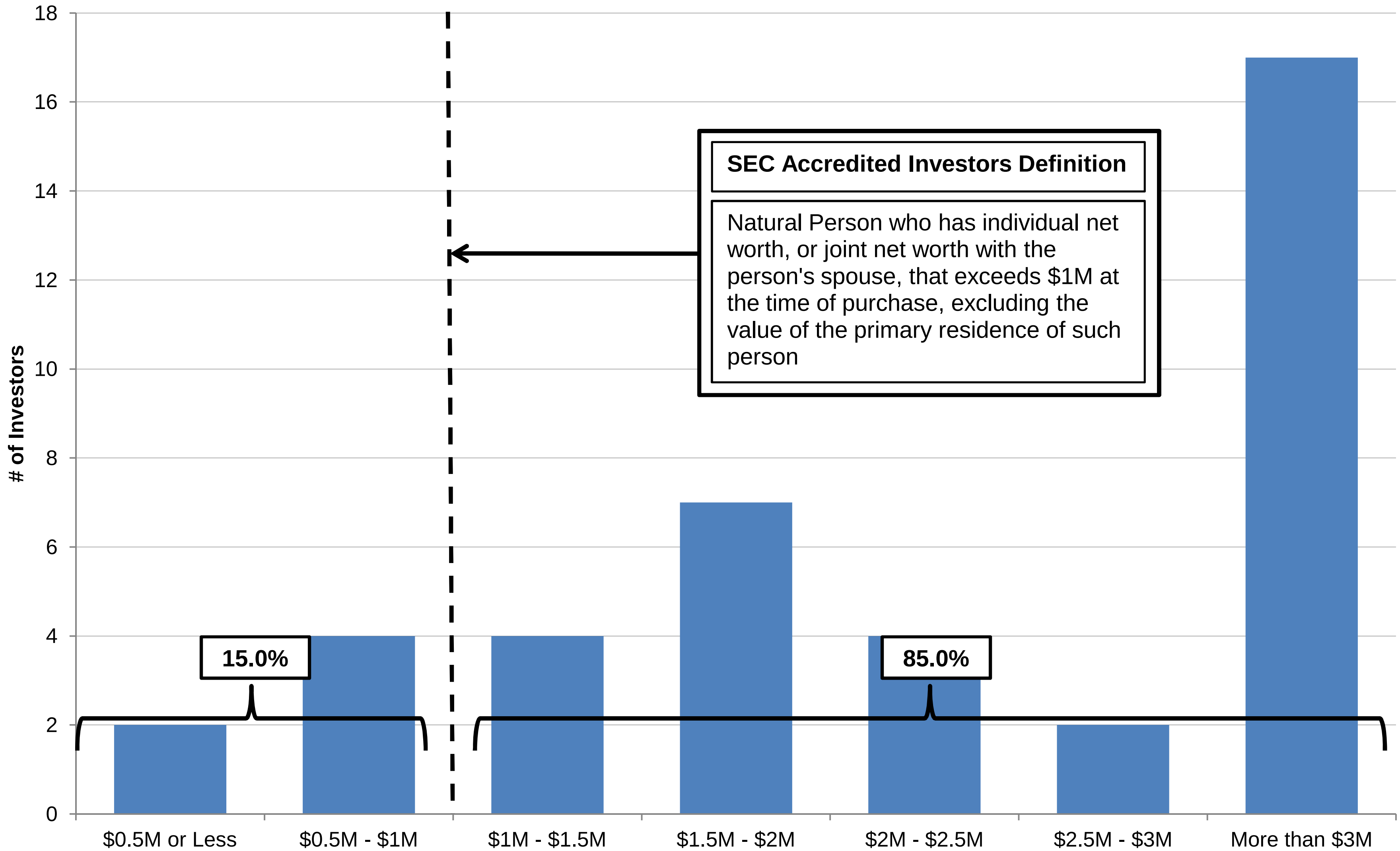
Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J172, n= 13



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

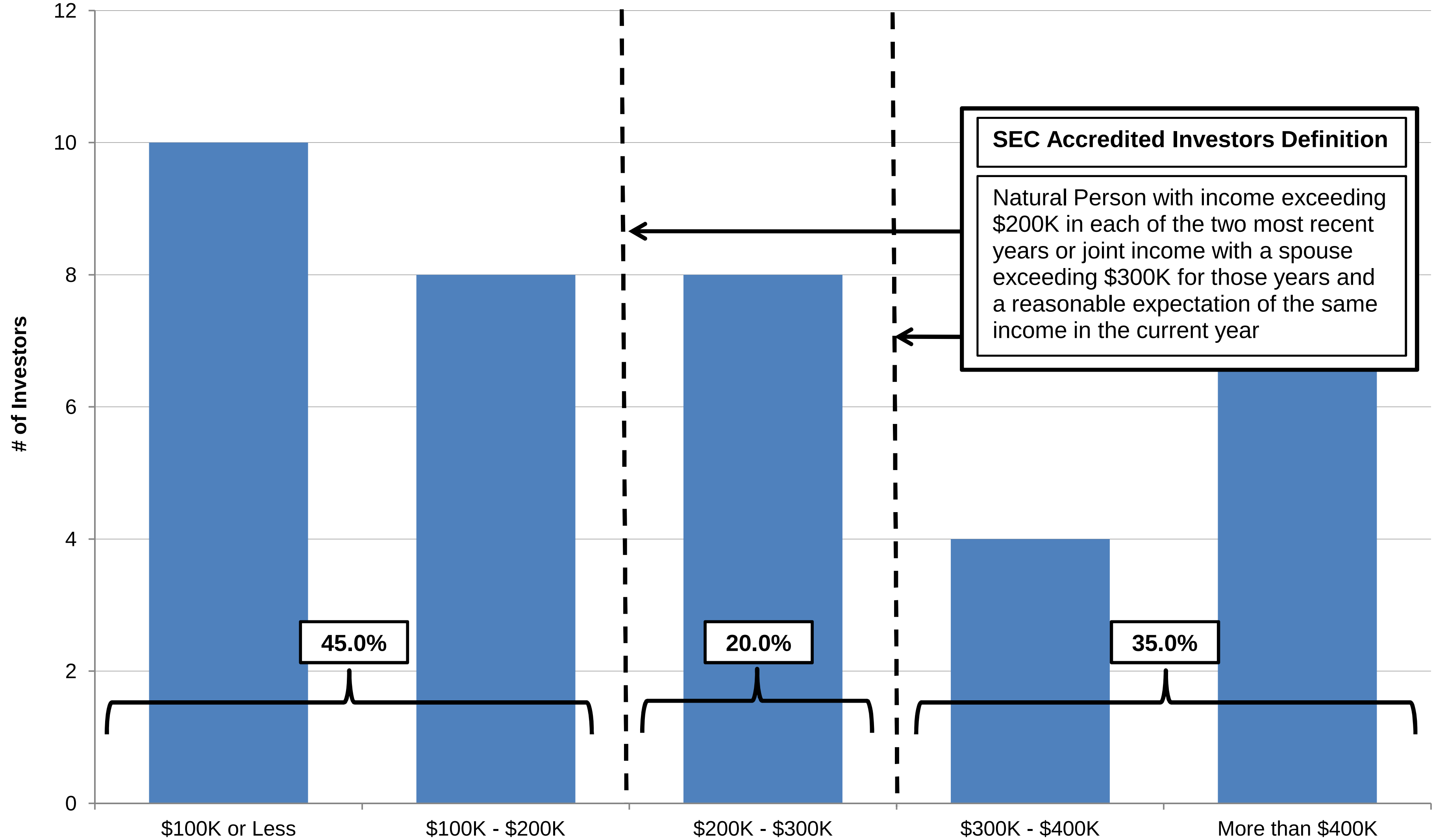
Appendix E: Net Worth of Natural Person Putative Class Member Investors

CUSIP 52523J172, n= 40



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J172, n= 40

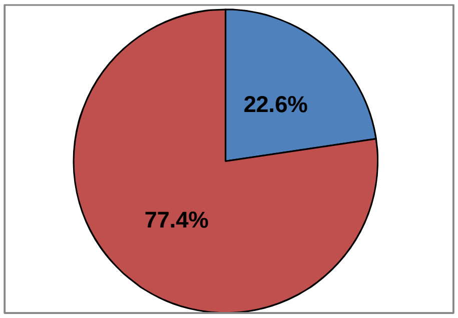


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

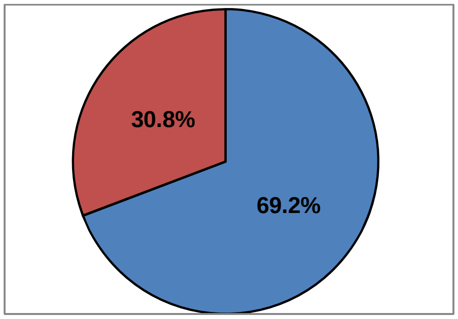
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J172

Accredited   Unaccredited

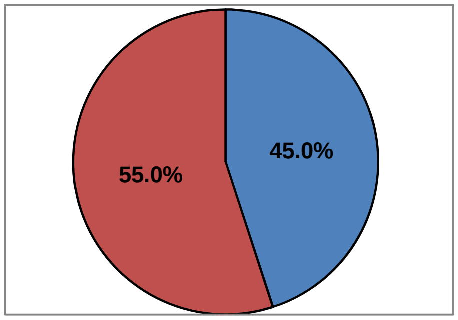
All Investors, n= 53



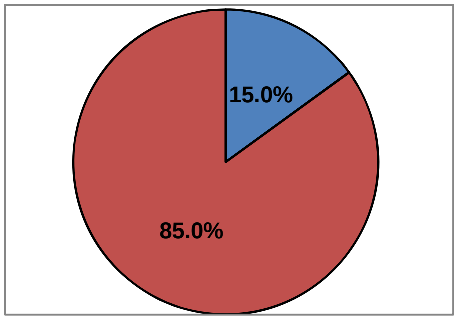
Non-Person Investors, n= 13



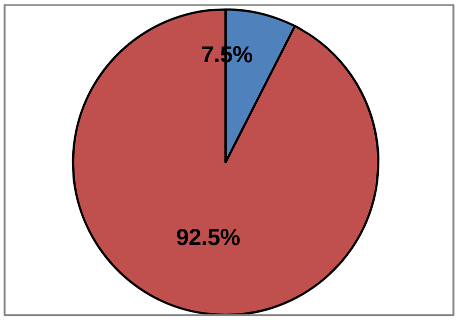
Person Investors Based on Income, n= 40



Person Investors Based on Net Worth, n= 40

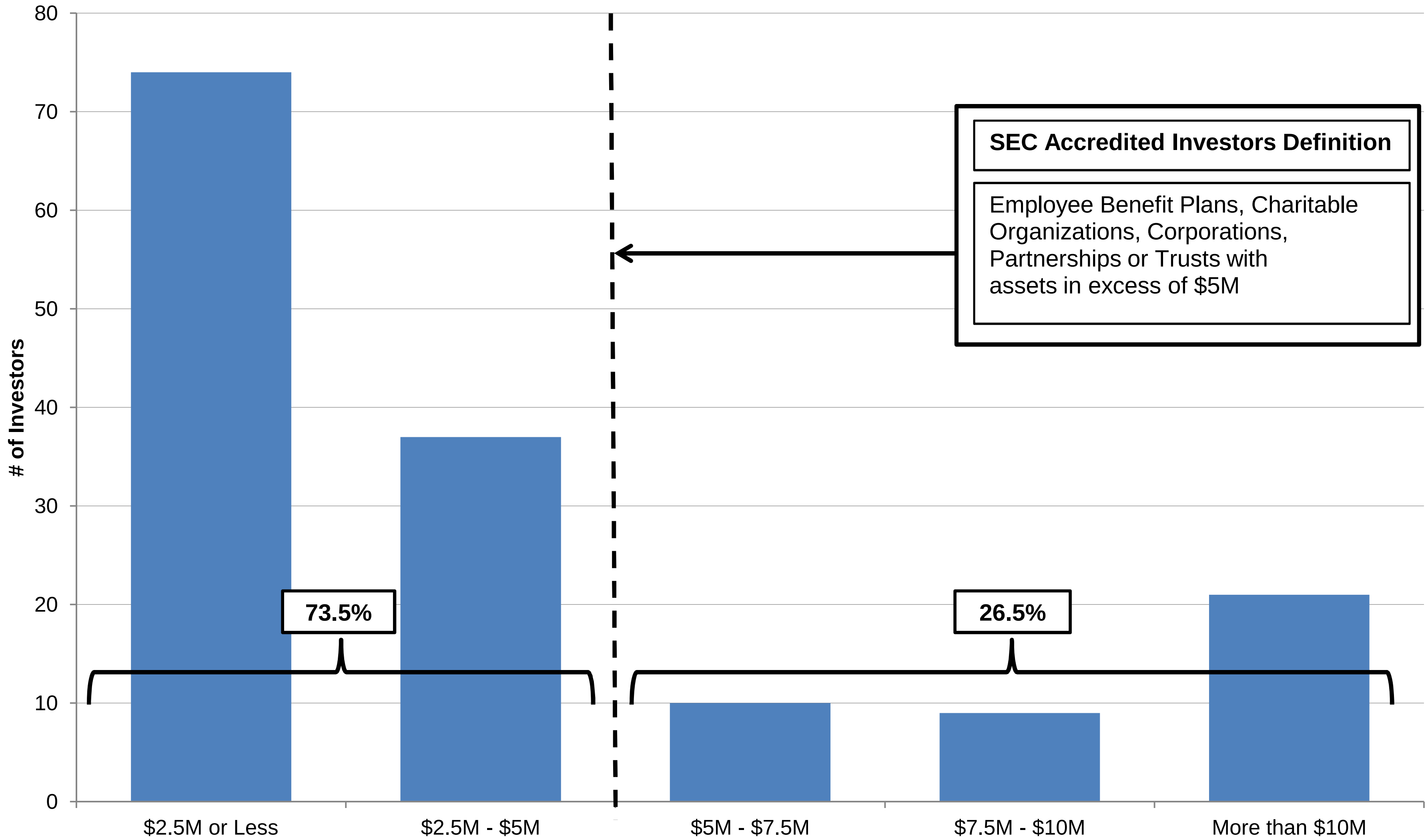


Person Investors Based on Income and Net Worth, n= 40



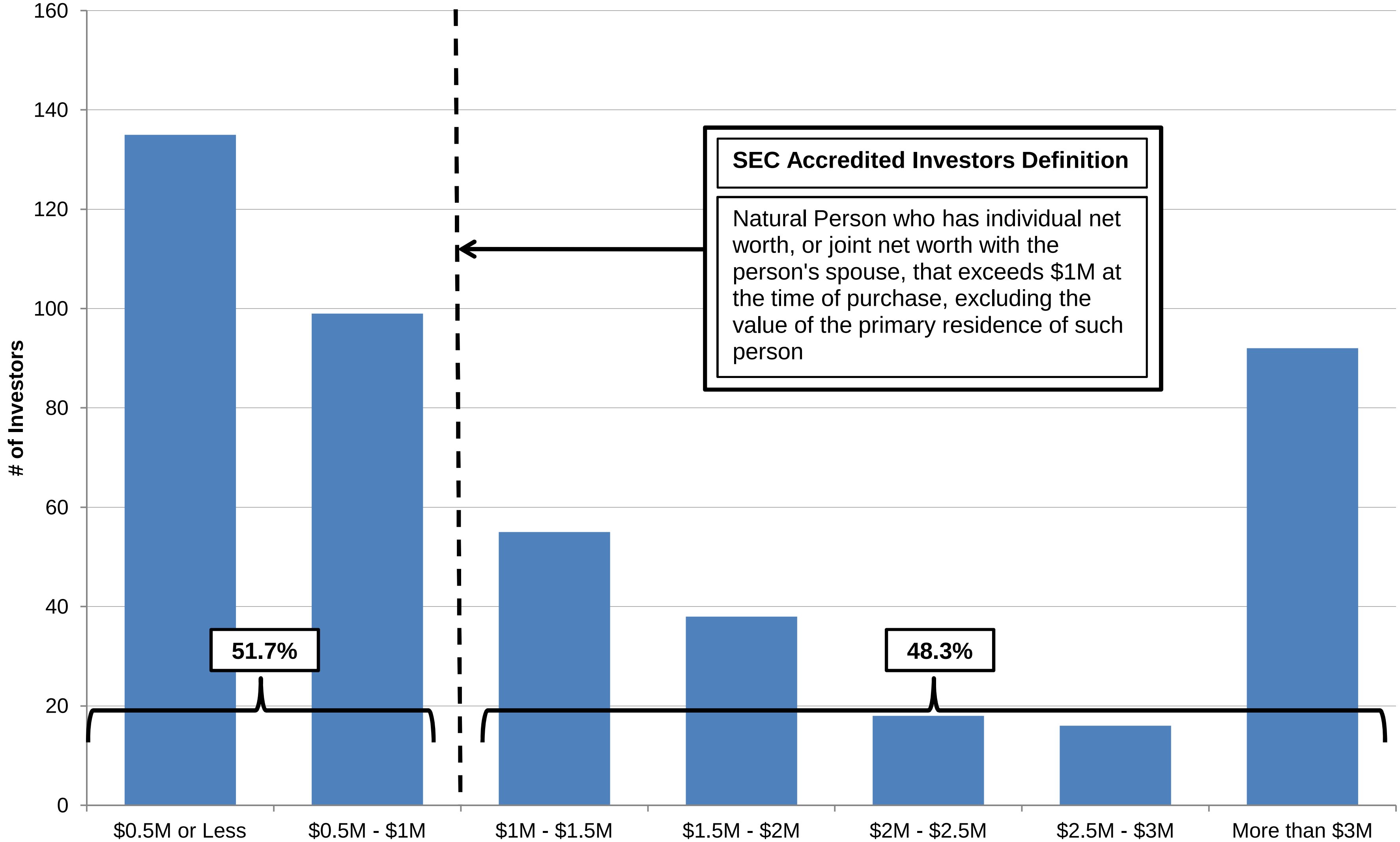
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J206, n= 151



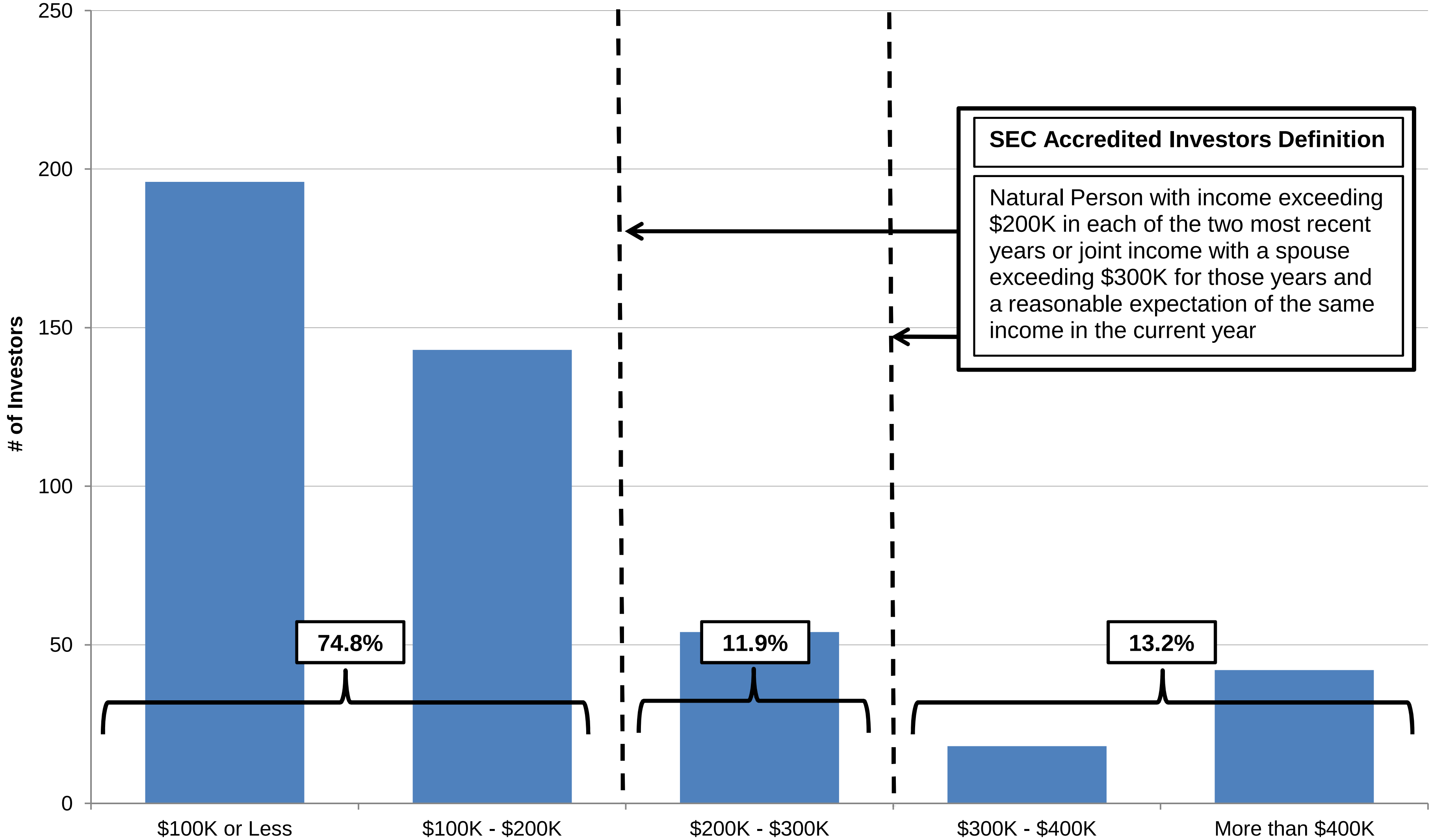
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52523J206, n= 453



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J206, n= 453

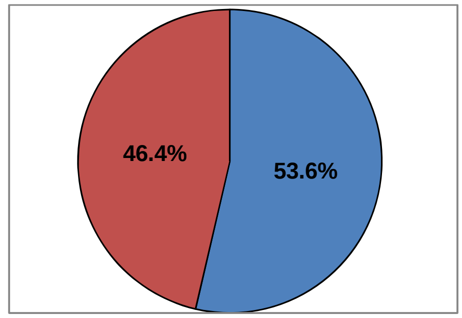


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

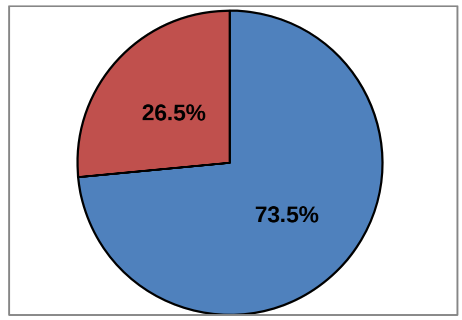
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J206

Accredited Unaccredited

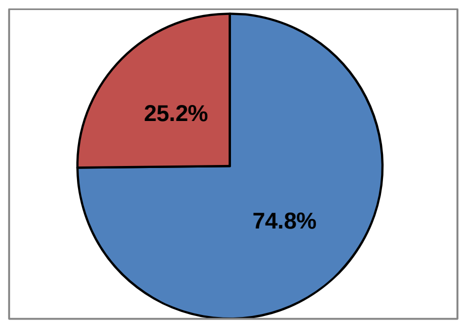
All Investors, n= 604



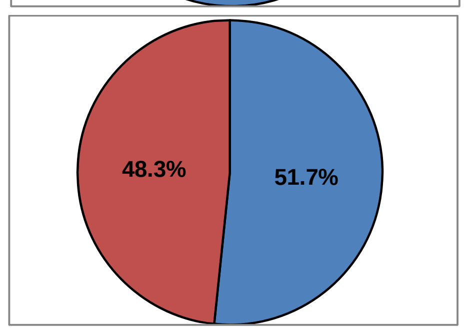
Non-Person Investors, n= 151



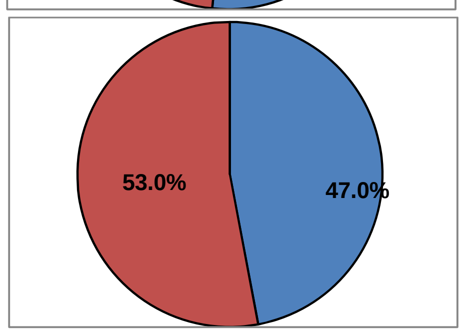
Person Investors Based on Income, n= 453



Person Investors Based on Net Worth, n= 453

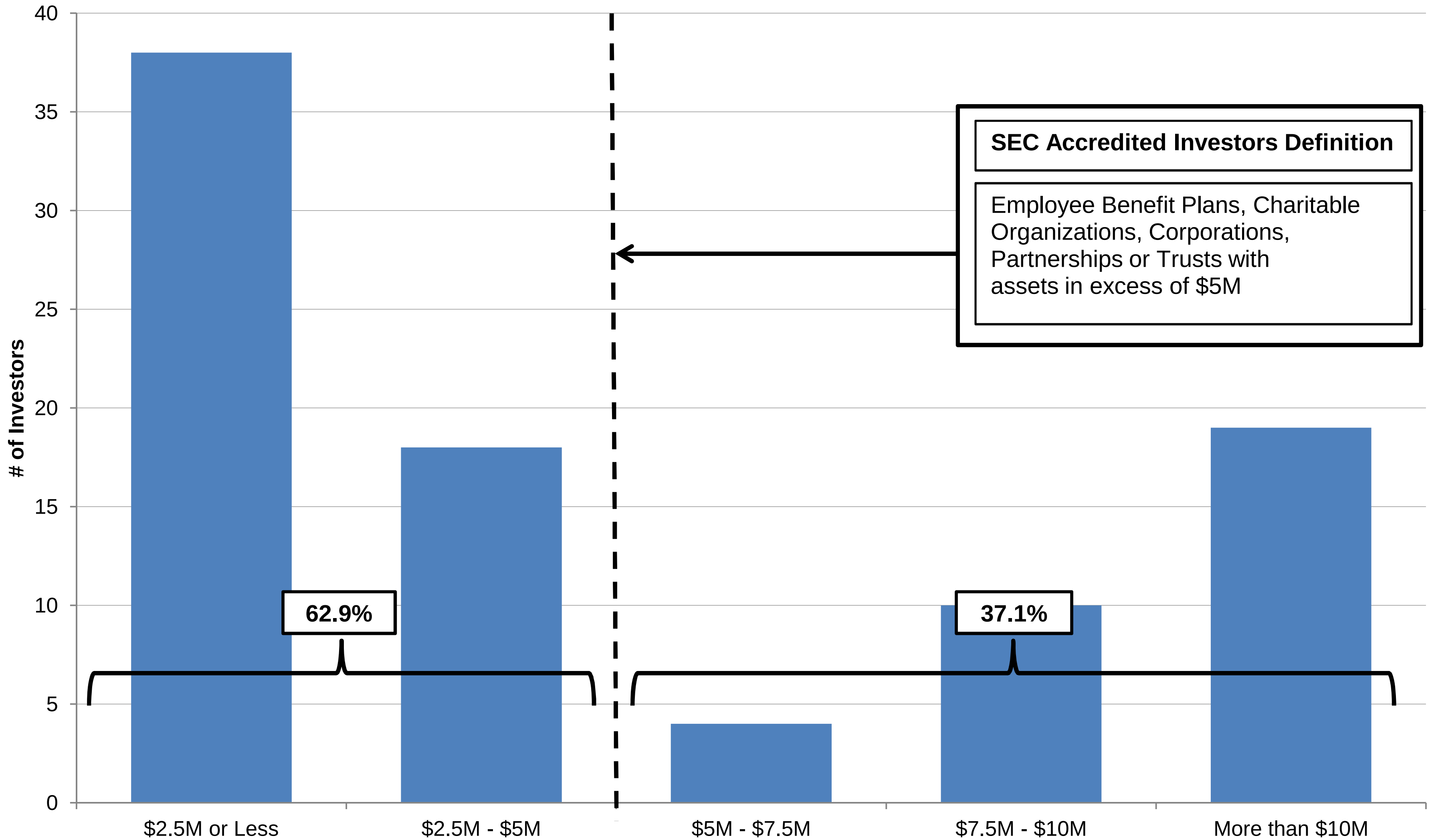


Person Investors Based on Income and Net Worth, n= 453



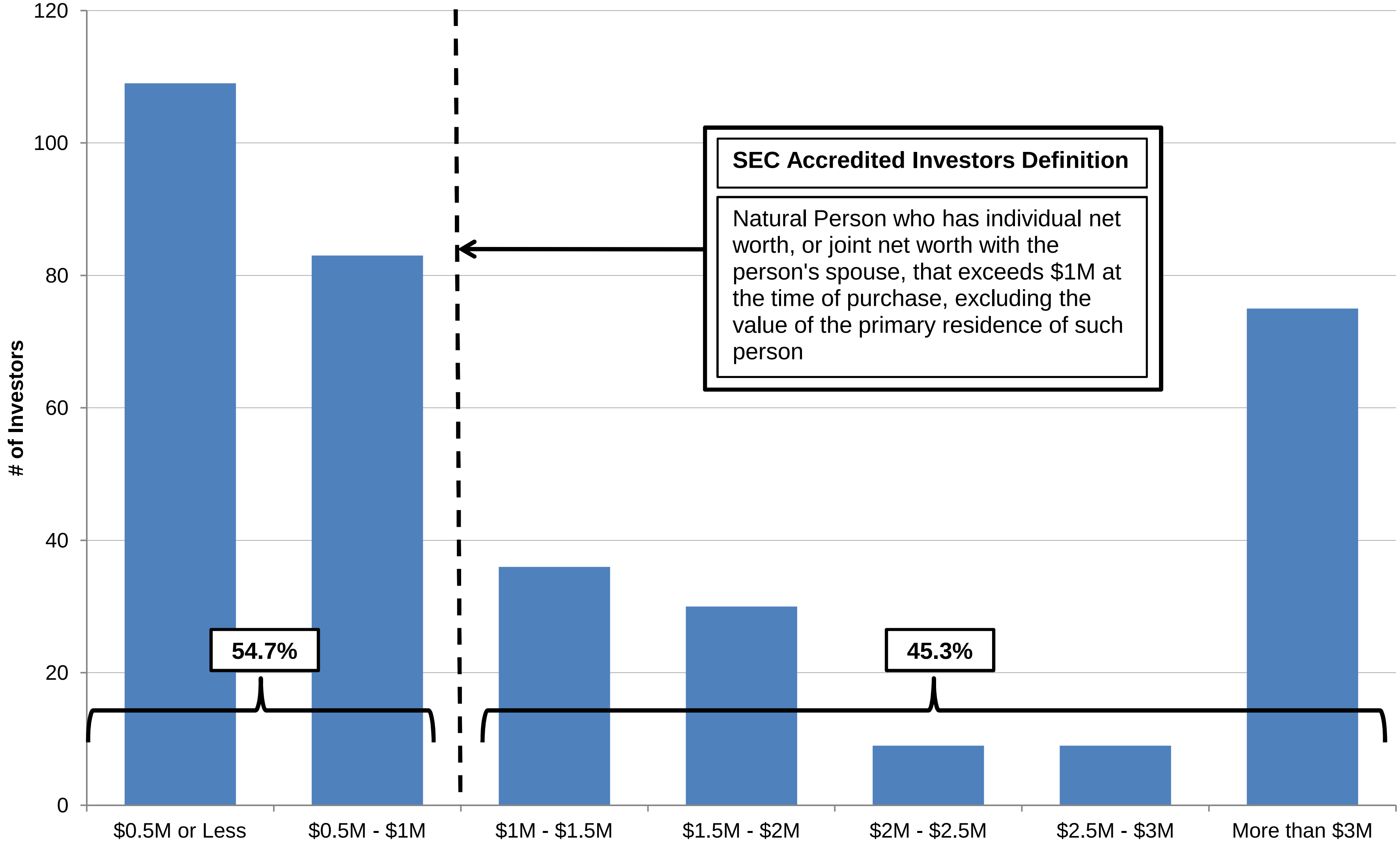
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J230, n= 89



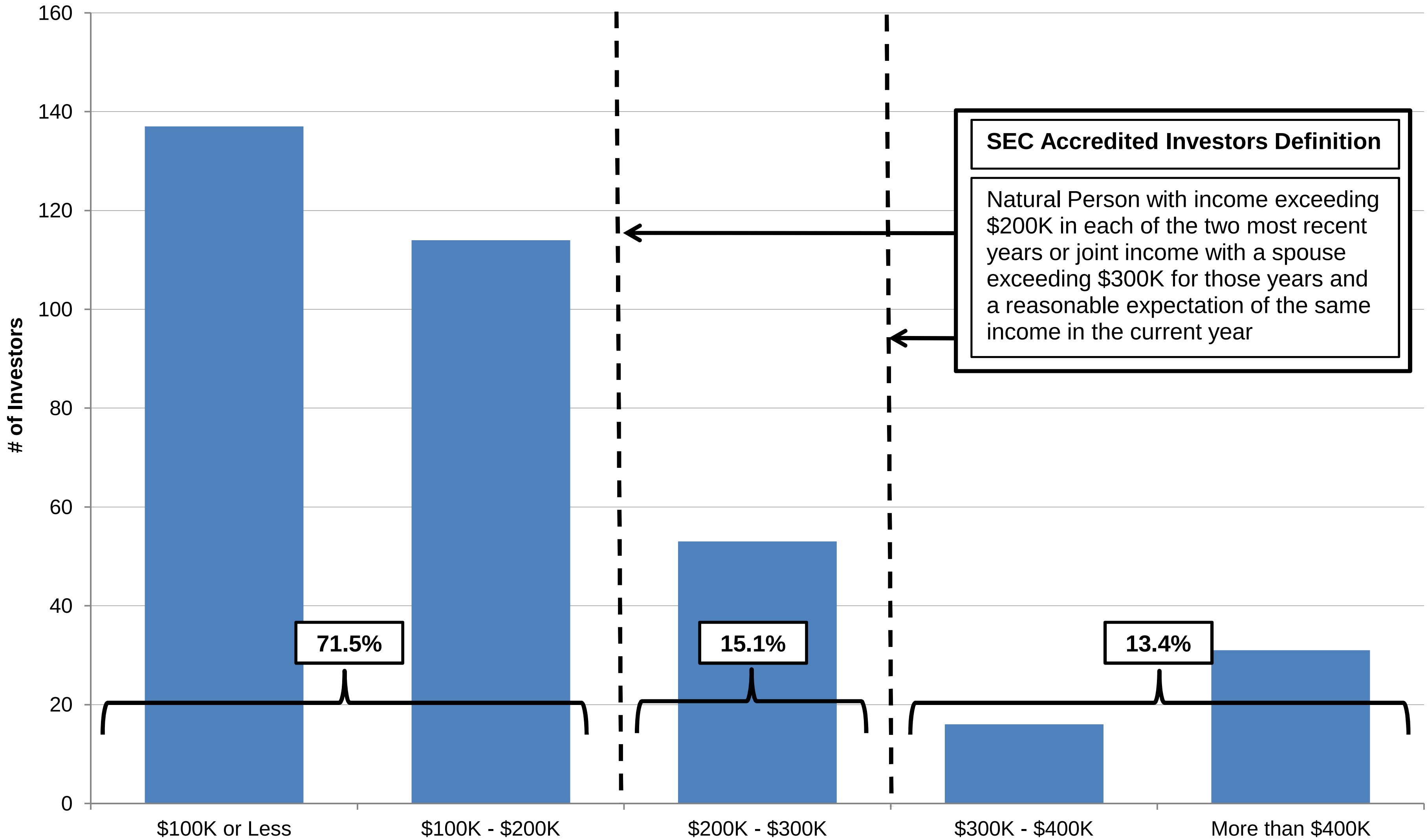
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52523J230, n= 351



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J230, n= 351

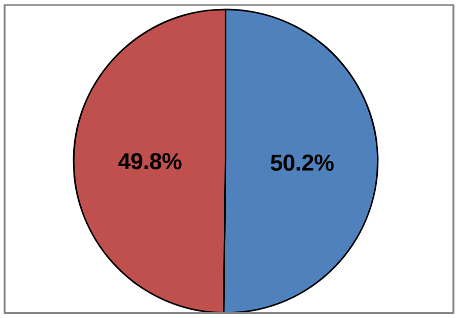


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

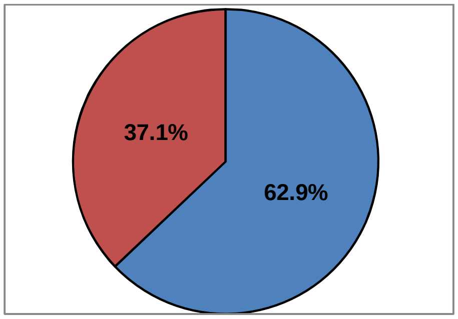
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J230

Accredited Unaccredited

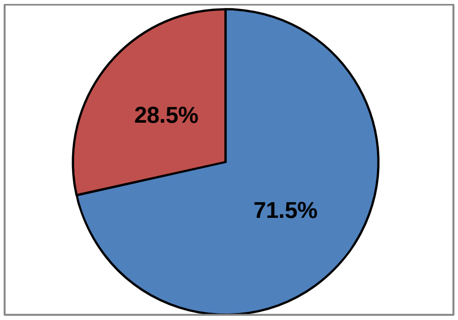
All Investors, n= 440



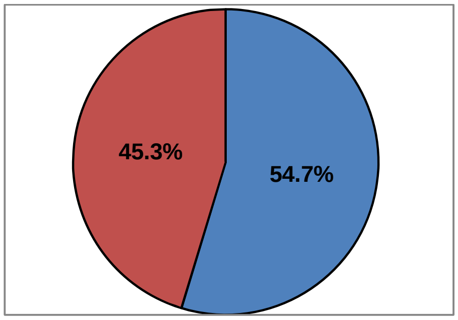
Non-Person Investors, n= 89



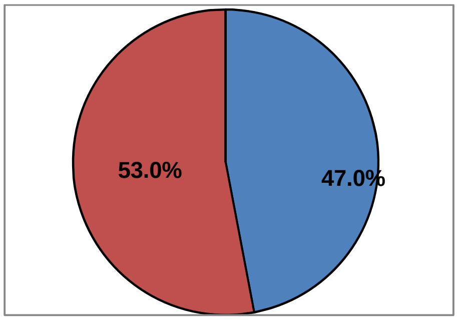
Person Investors Based on Income, n= 351



Person Investors Based on Net Worth, n= 351

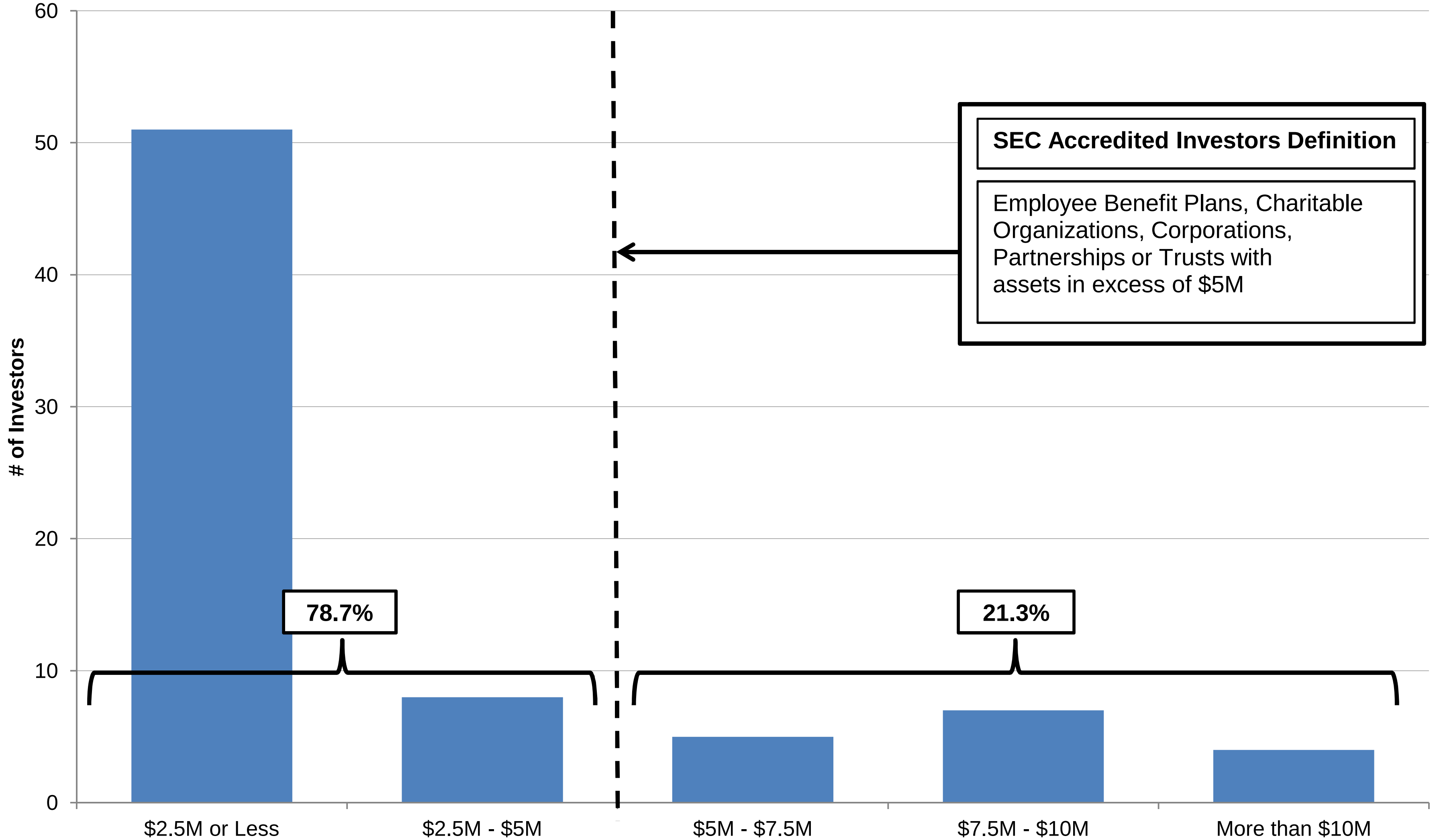


Person Investors Based on Income and Net Worth, n= 351



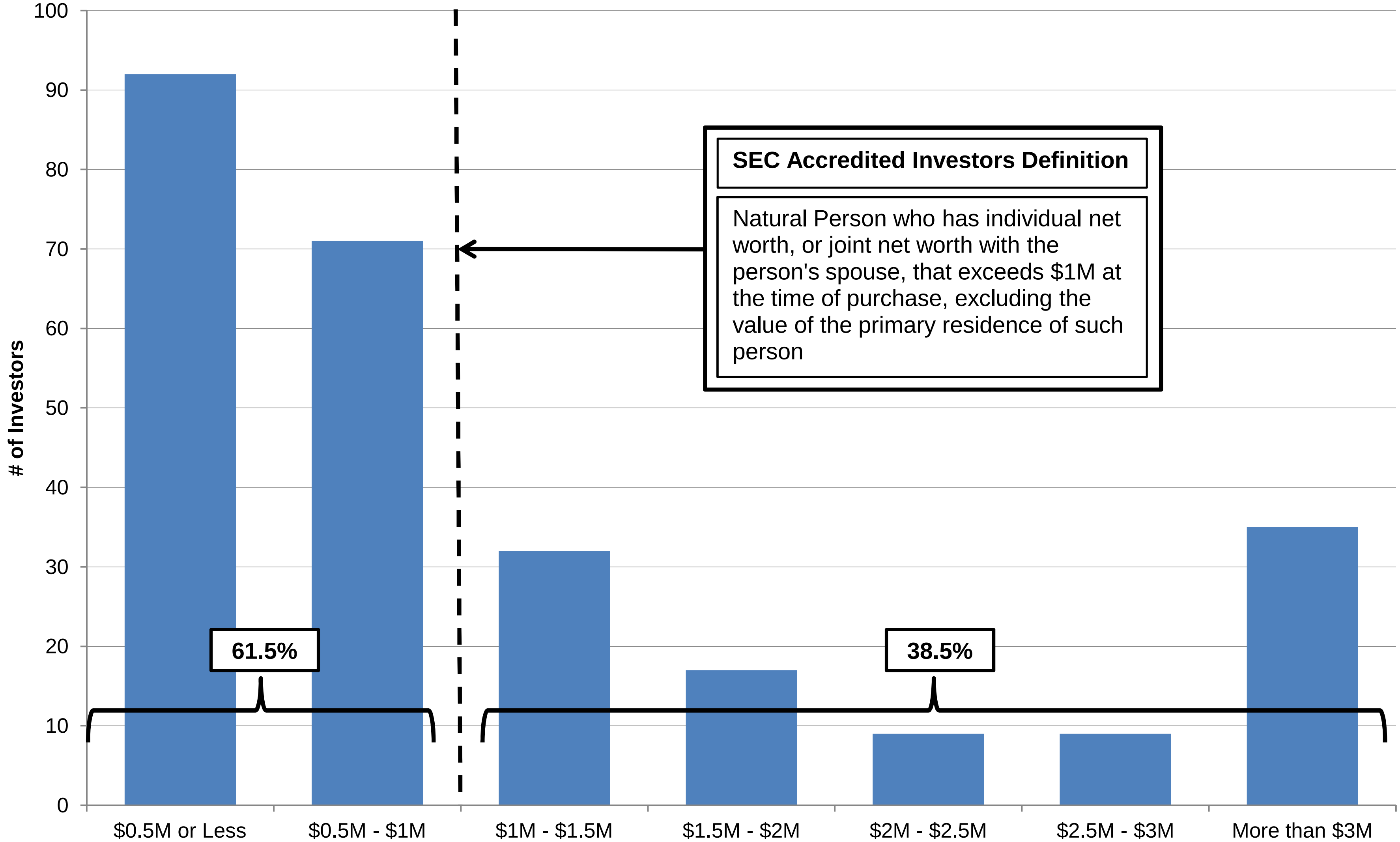
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J248, n= 75



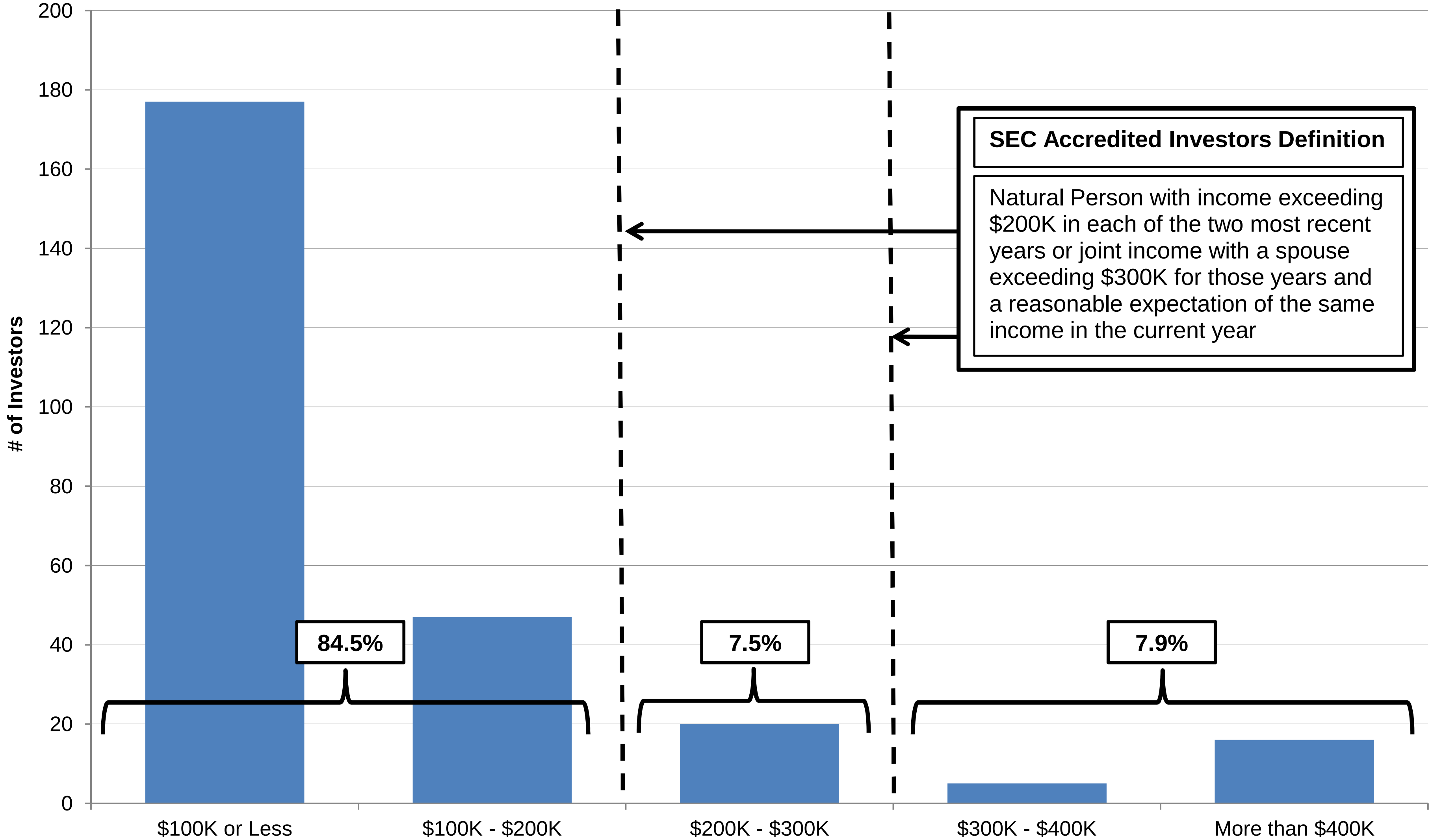
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52523J248, n= 265



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J248, n= 265

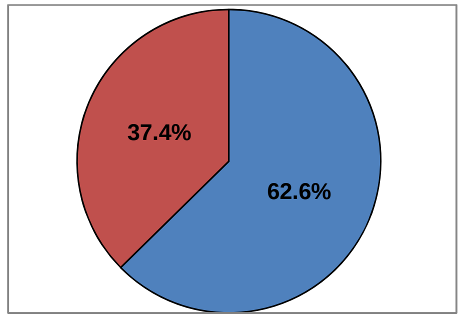


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

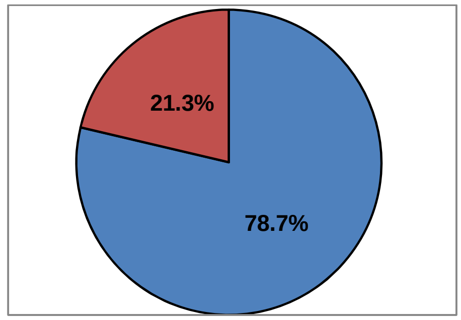
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J248

Accredited Unaccredited

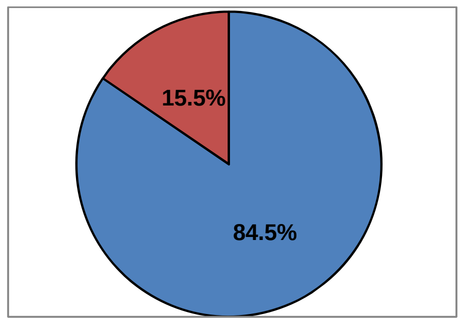
All Investors, n= 340



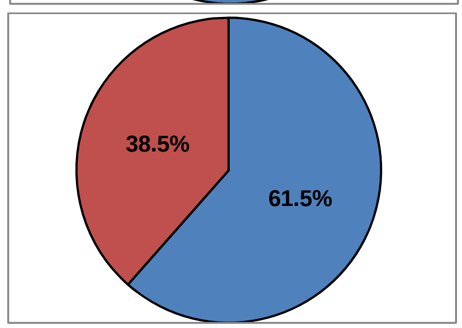
Non-Person Investors, n= 75



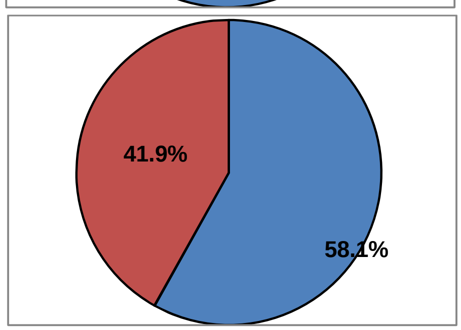
Person Investors Based on Income, n= 265



Person Investors Based on Net Worth, n= 265

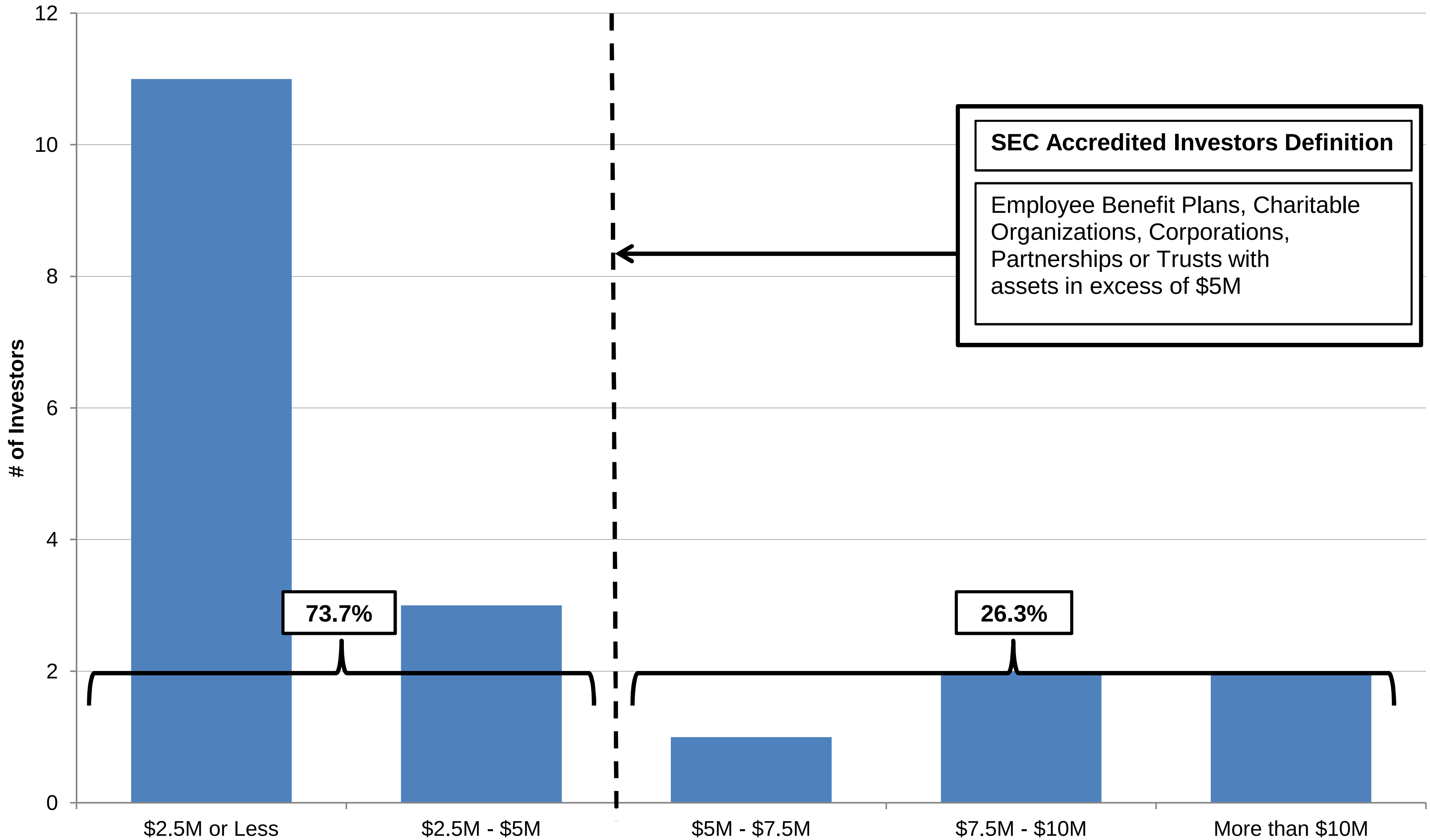


Person Investors Based on Income and Net Worth, n= 265



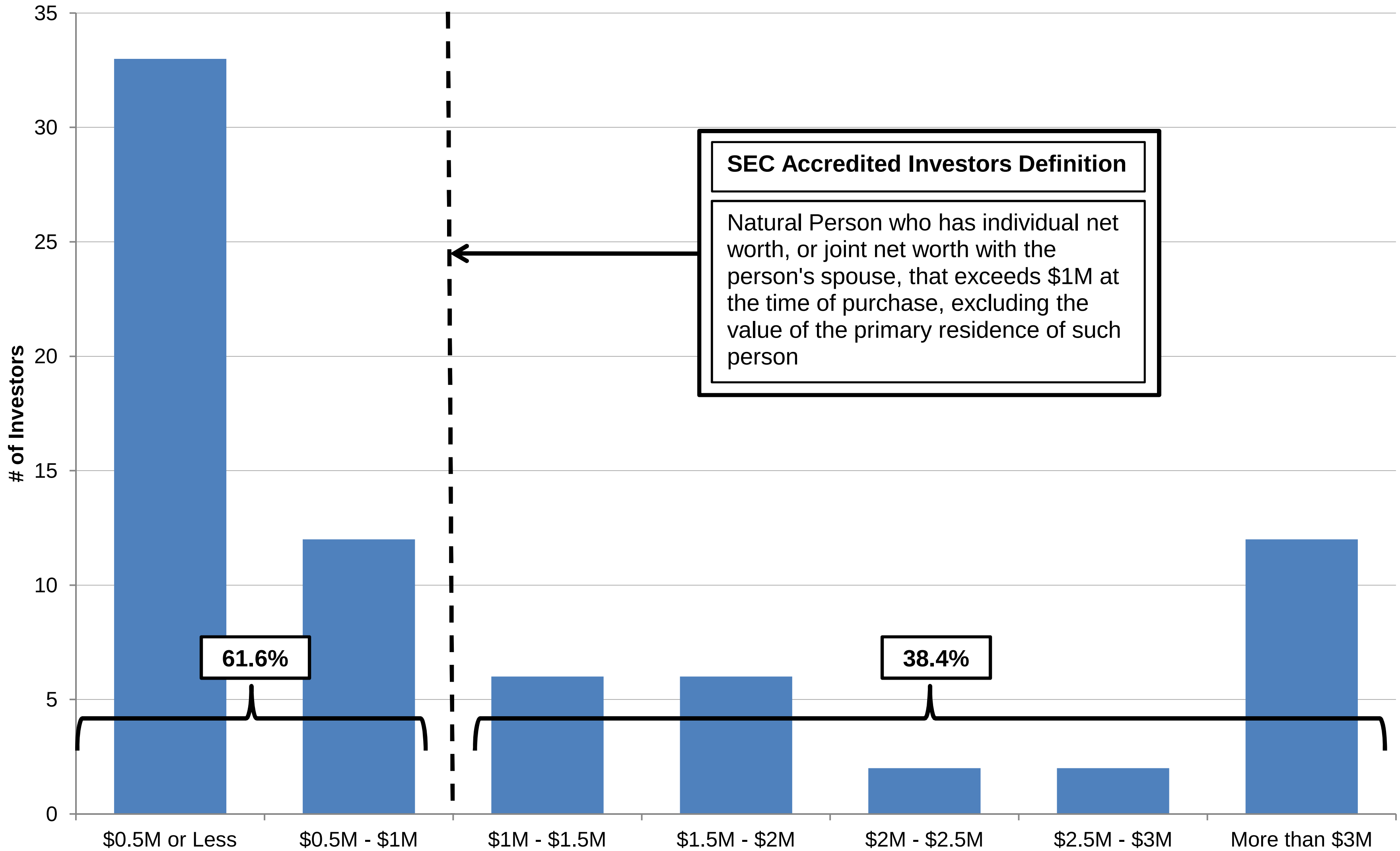
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J255, n= 19



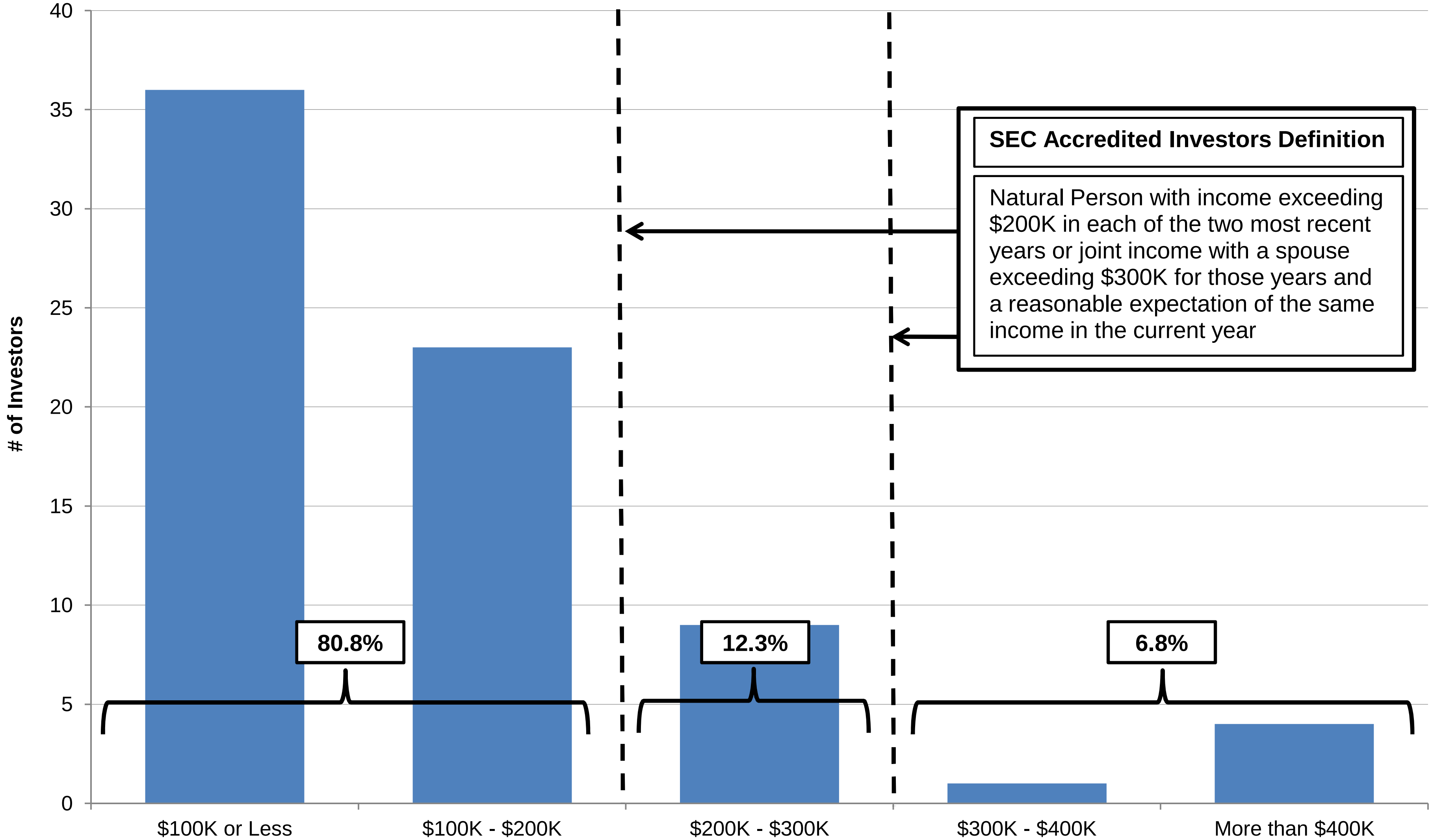
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52523J255, n= 73



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J255, n= 73

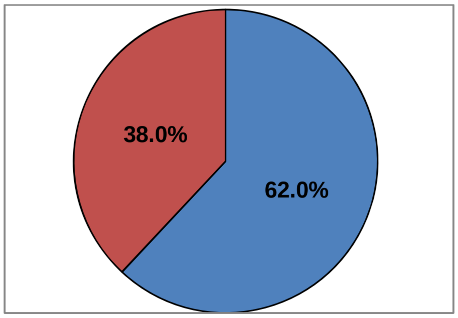


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

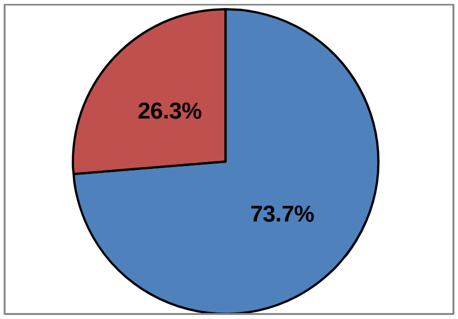
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J255

Accredited   Unaccredited

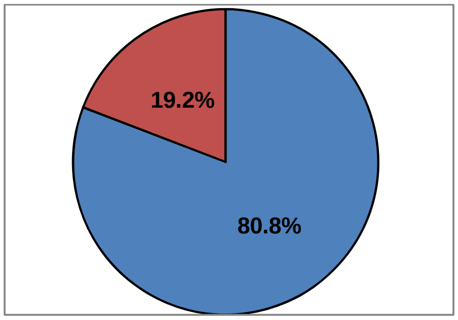
All Investors, n= 92



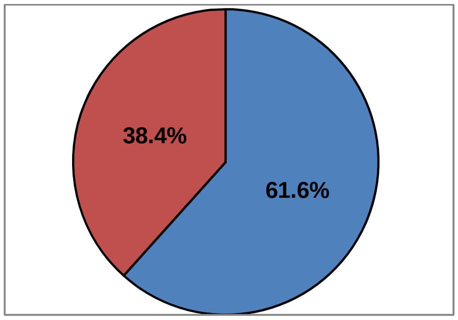
Non-Person Investors, n= 19



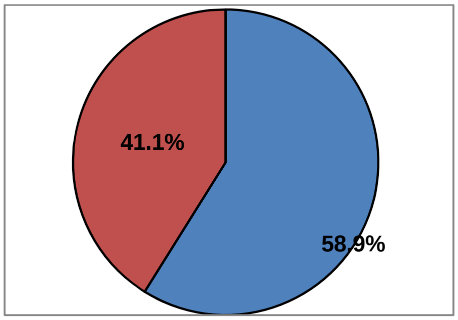
Person Investors Based on Income, n= 73



Person Investors Based on Net Worth, n= 73

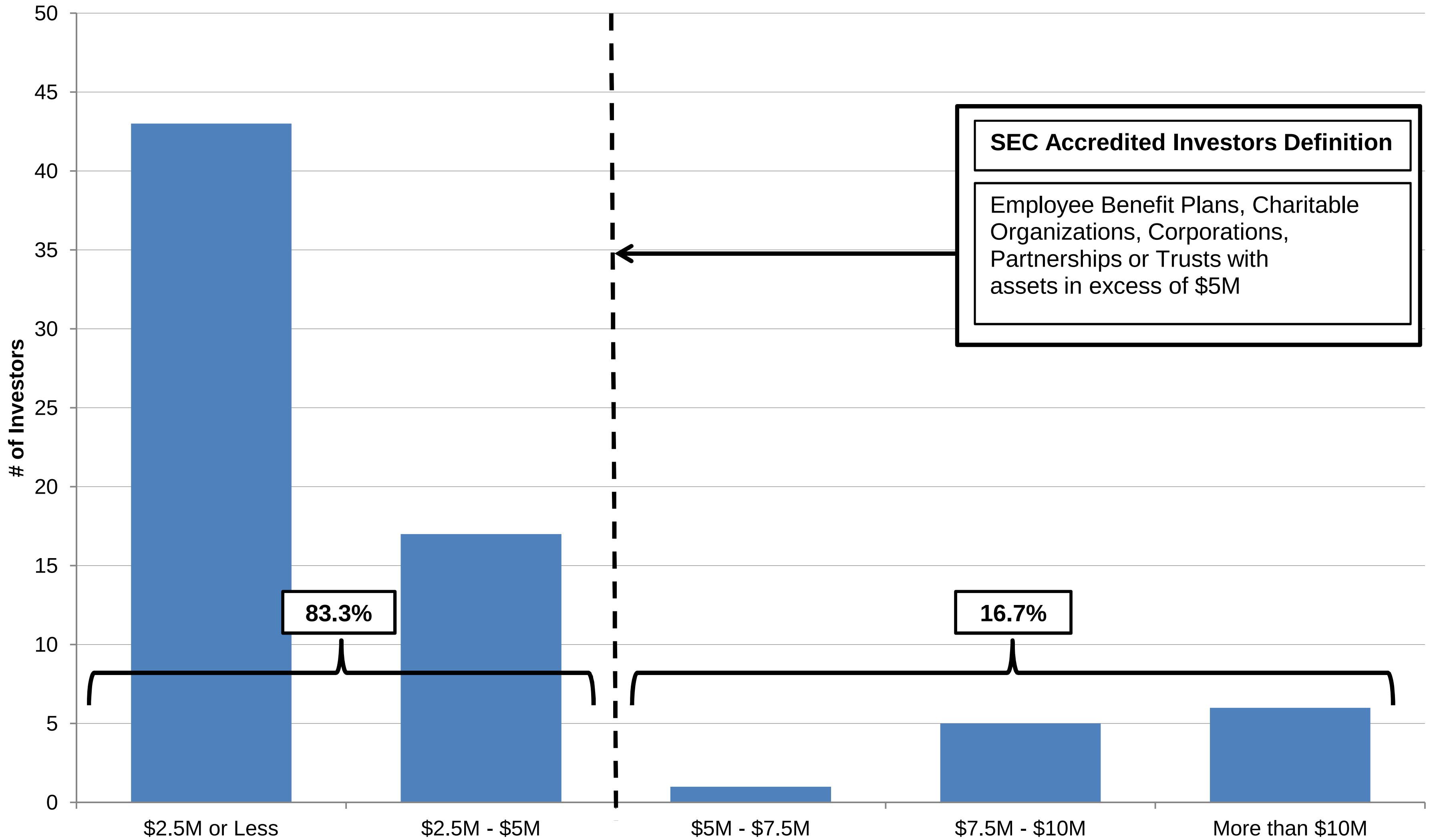


Person Investors Based on Income and Net Worth, n= 73



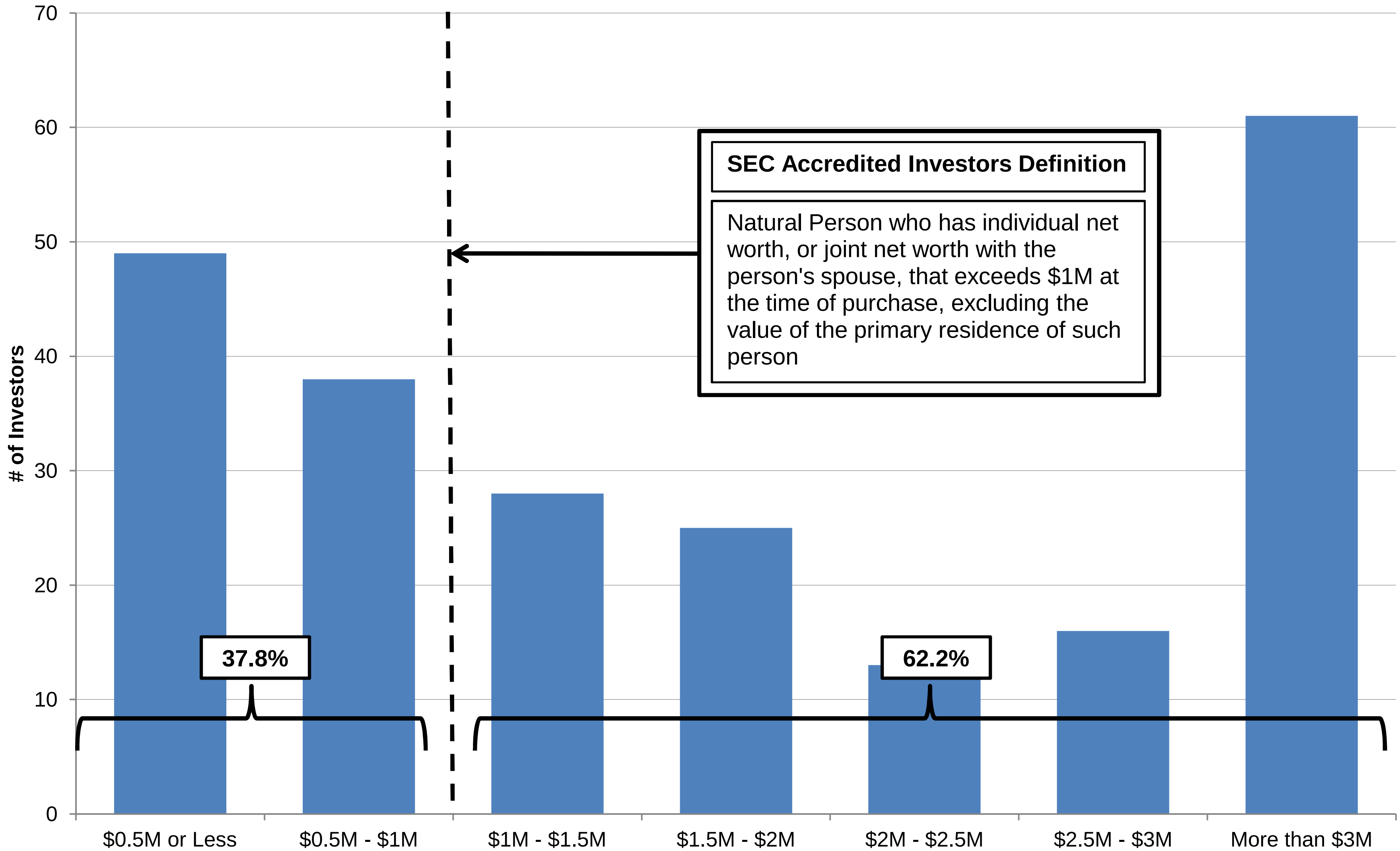
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 52523J412, n= 72



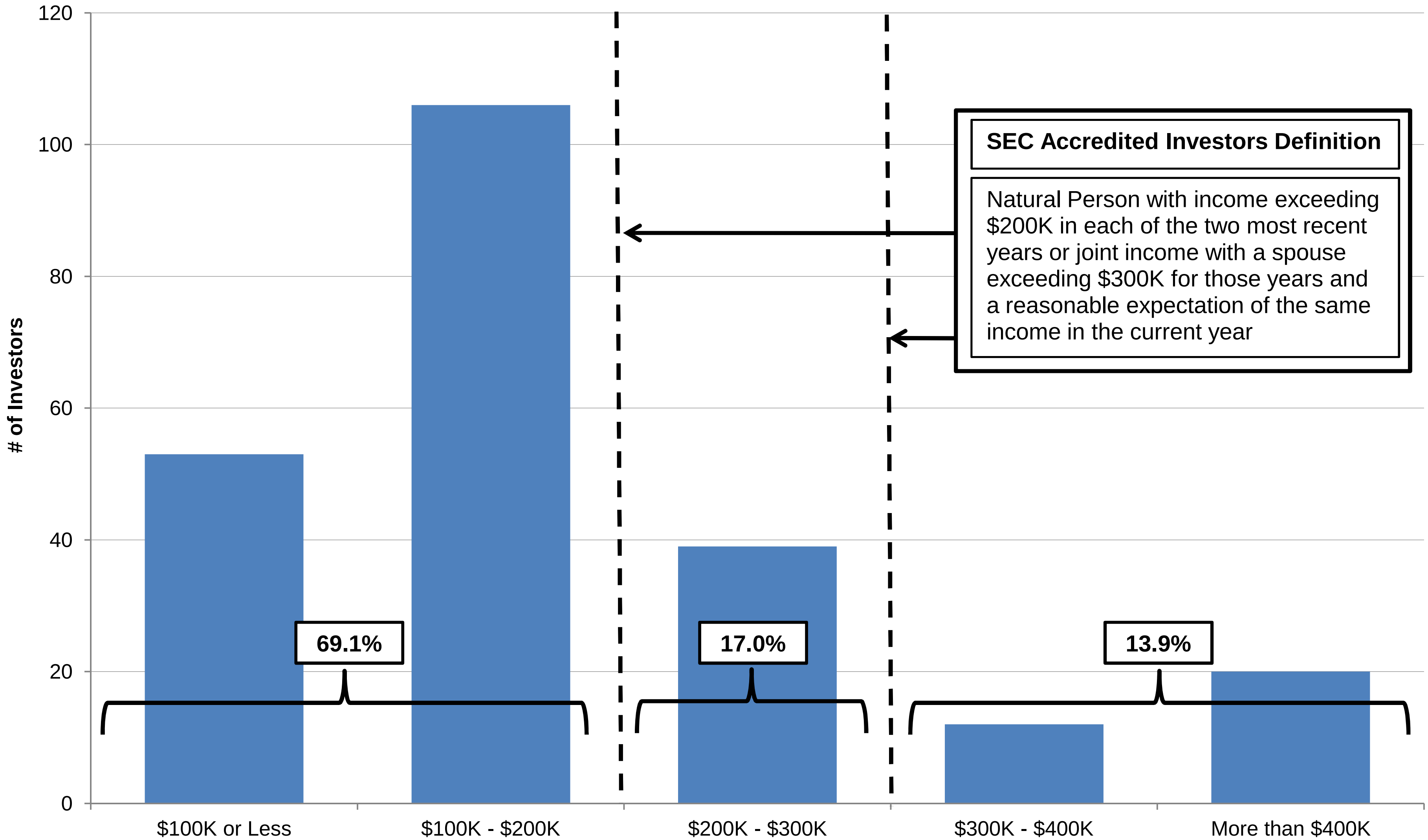
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 52523J412, n= 230



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors
CUSIP 52523J412, n= 230

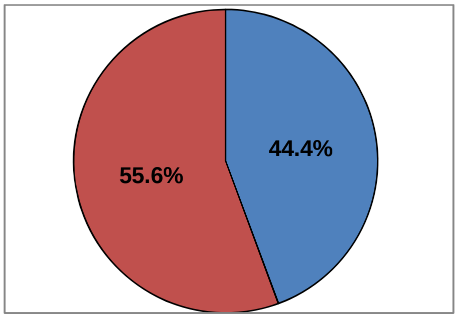


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

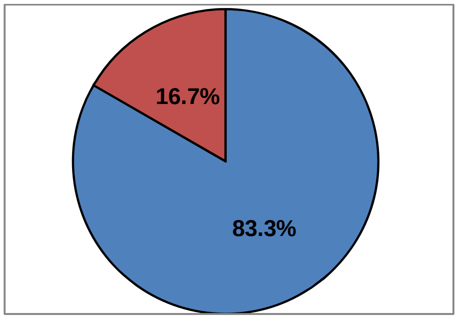
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 52523J412

Accredited Unaccredited

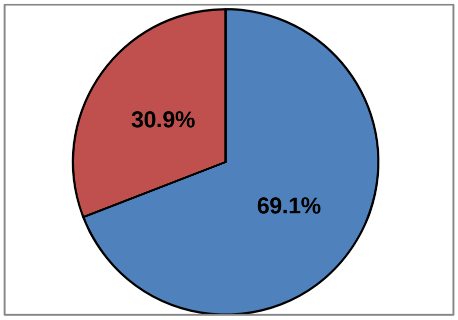
All Investors, n= 302



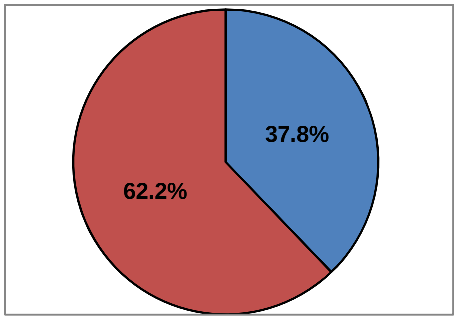
Non-Person Investors, n= 72



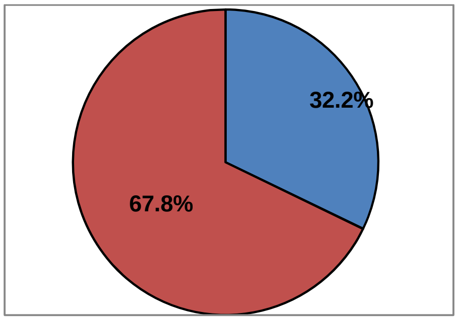
Person Investors Based on Income, n= 230



Person Investors Based on Net Worth, n= 230

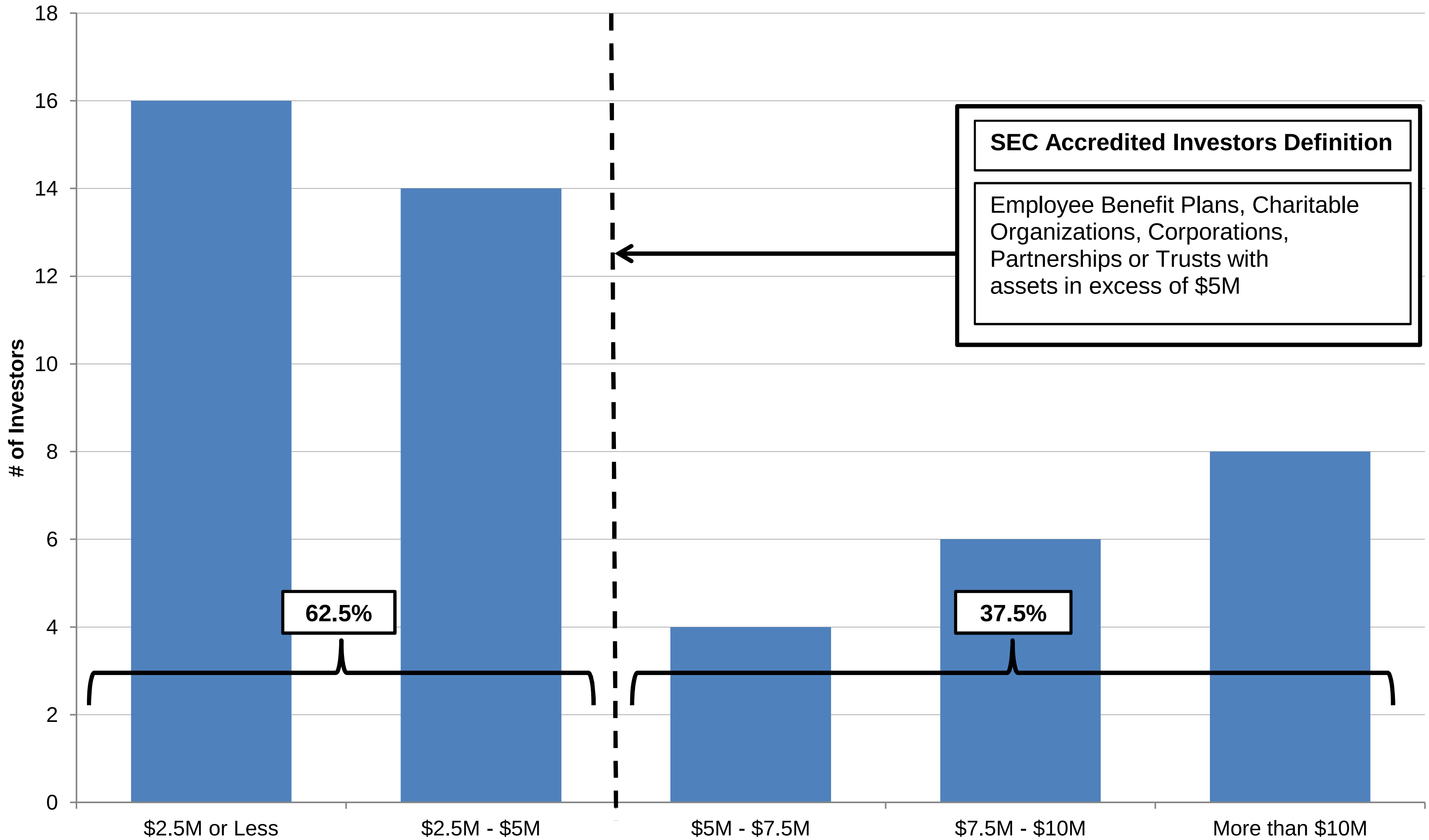


Person Investors Based on Income and Net Worth, n= 230



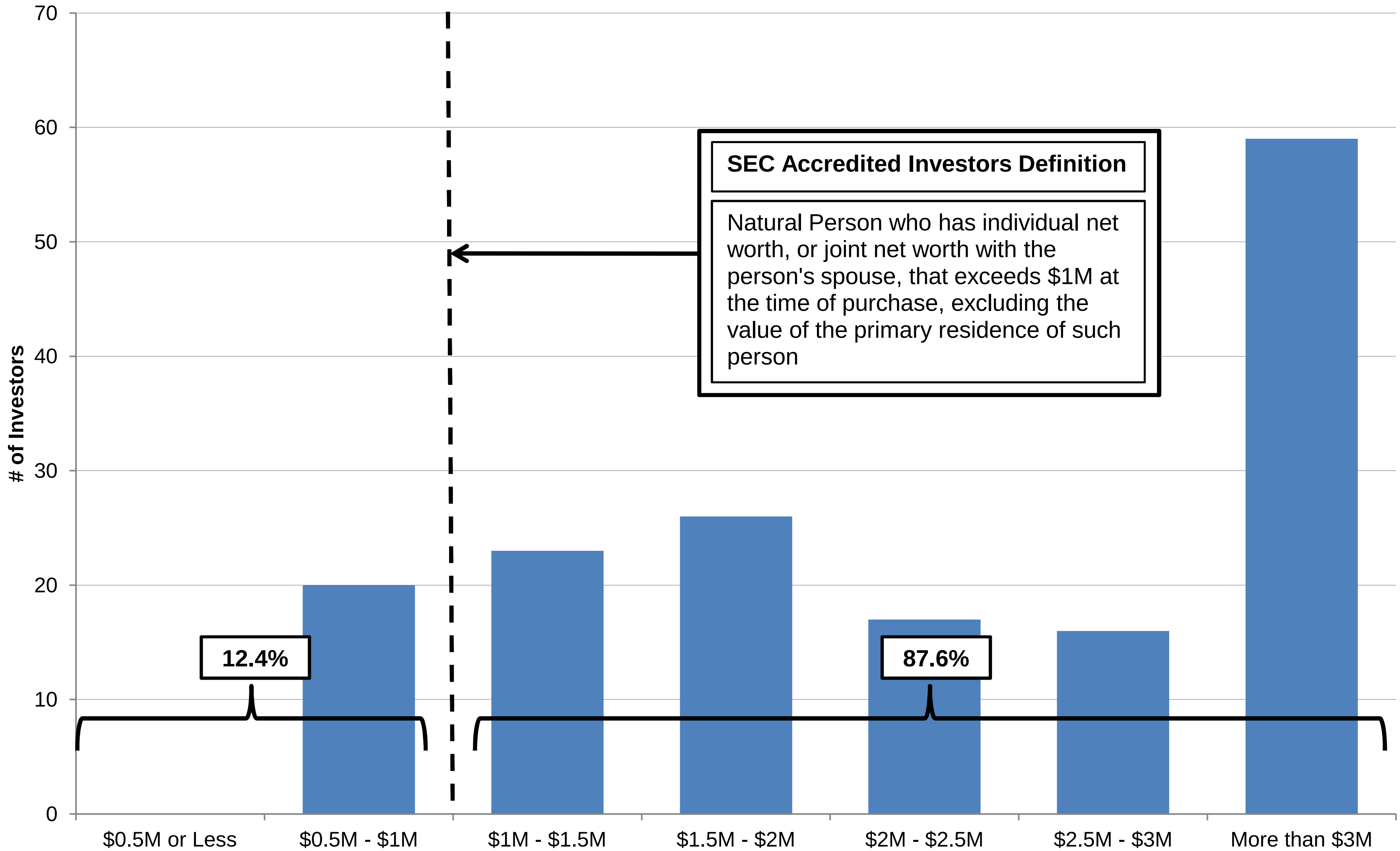
Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Net Worth of Non-Natural Person Putative Class Member Investors
CUSIP 5252M0CZ8 , n= 48



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

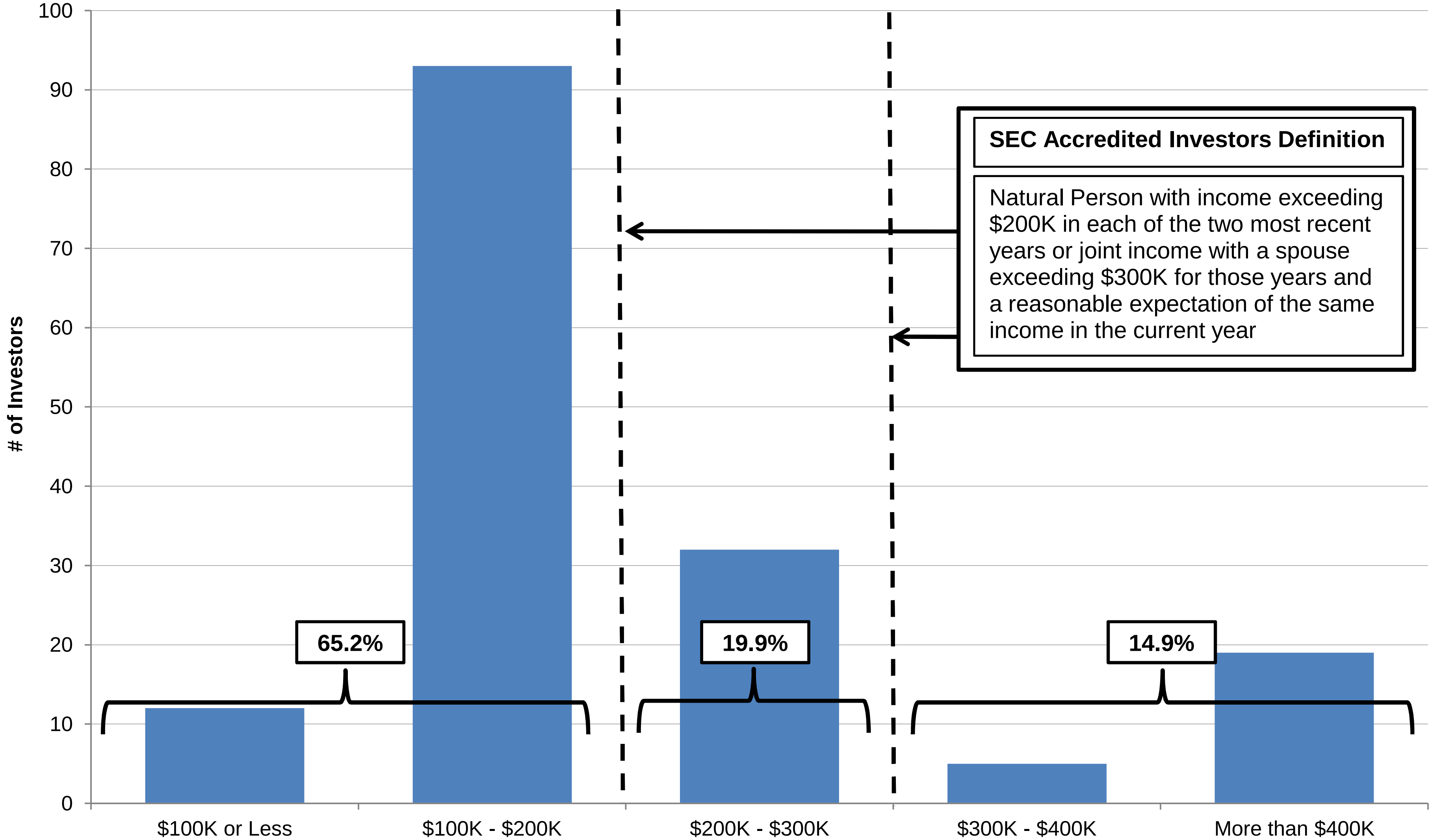
Appendix E: Net Worth of Natural Person Putative Class Member Investors
CUSIP 5252M0CZ8, n= 161



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

Appendix E: Annual Income of Natural Person Putative Class Member Investors

CUSIP 5252M0CZ8, n= 161

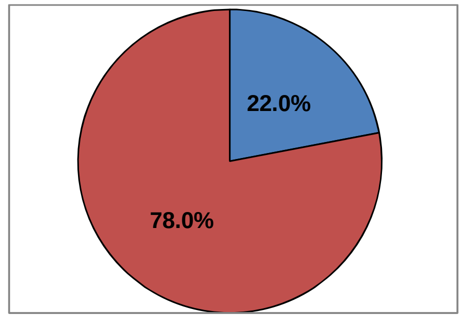


Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.

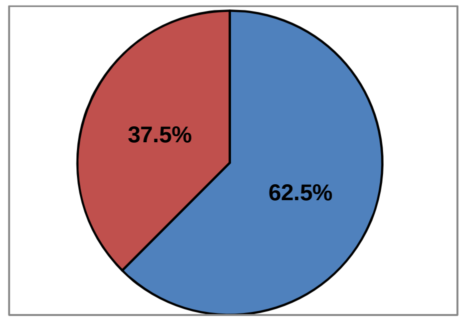
Appendix E: Estimate of Accredited and Unaccredited Investor Putative Class Member Investors
CUSIP 5252M0CZ8

Accredited　Unaccredited

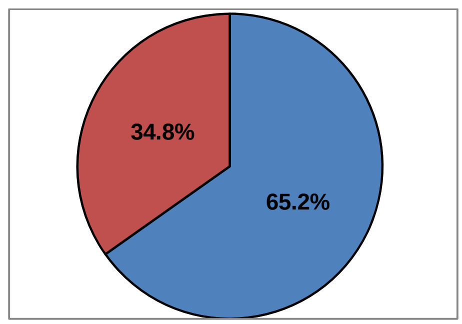
All Investors, n= 209



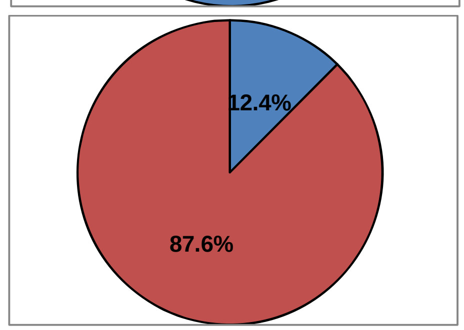
Non-Person Investors, n= 48



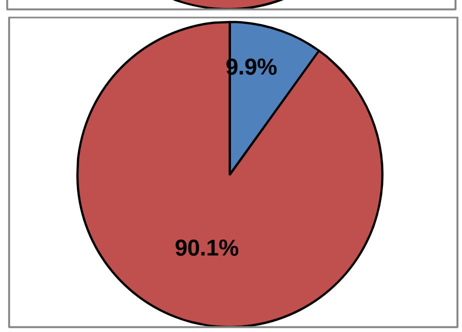
Person Investors Based on Income, n= 161



Person Investors Based on Net Worth, n= 161



Person Investors Based on Income and Net Worth, n= 161



Sources: UBS Trade Database ('101264659_1.xls'); "Accredited Investors," available at http://www.sec.gov/answers/accred.htm, accessed on November 18, 2011.